

# **Inclusionary Zoning in Canada: Planning for Inclusion by Creating Affordable Housing**

by

**Mark Townsend**

**Supervised by**

**Laura Taylor**

**A Major Paper**

**Submitted to the Faculty of Environmental Studies**

**In partial fulfillment of the requirements for the degree of Master in Environmental  
Studies**

**York University, Toronto, Ontario, Canada**

**3/30/2017**

## **Inclusionary Zoning in Canada**

### **Abstract**

Through affordable housing strategies many urban areas have been looking to support social inclusion. Inclusionary zoning is one such strategy that looks to extract affordable housing from market-rate housing developers. Several cities have enforced inclusionary zoning policies in North America; however, the majority of them have been in the United States. Canada has faced similar affordable housing shortages as the US has but unfortunately Canadian municipalities lack the power that many US municipalities have in regards to enforcing inclusionary zoning policy. Many municipalities in Canada have been subject to social issues that accompany a lack of legislative investment from the province to support affordable housing. Ontario, is currently looking at enabling its constituent municipalities to make inclusionary zoning policies. It is believed that it will make a big difference for large urban areas like Toronto, a city that has been requesting these powers for some time. It is the hope of many that Toronto can use inclusionary zoning to support a sustainable supply of affordable housing. This will help the City continue to focus on being a city of inclusion and opportunity. Inclusionary zoning has been widely debated in the context of Toronto and it is through these debates that question arise whether Toronto can support inclusionary zoning strategies or whether they will be of any benefit at all. A major focal point for the research was to evaluate whether or not inclusionary zoning can create a sustainable supply of affordable housing in the City of Toronto. It is thought that it can but it must be implemented in such a way that it supports good planning principals and initiatives.

### **Foreword**

A major objective of my plan of study is to explore planning for inclusion. As part of my area of concentration, I wish to explore the effects that inclusionary zoning can bring to an urban area. I have found myself drawn into the current debates around bringing formal inclusionary zoning powers to a city like Toronto. These debates are of great interest to me because the City is facing an affordable housing crisis. In the midst of this crisis planners and affordable housing advocates at the City of Toronto are trying to properly assess the situation and develop solutions through working with City Council.

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This process of providing solutions to an urban problem using the planning process is of great interest to me. This is why I have decided to pursue a major paper that investigates inclusionary zoning. Inclusionary zoning is such a widely debated topic in Toronto that I believe it makes the research worthwhile. While at the same time, the research can support my plan of study because inclusionary zoning is a topic that is impacted by planning policy and practice. Inclusionary zoning also has consequences for sustainable urban development which is another component of my Plan of Study. Planning for inclusion is an important philosophy and inclusionary zoning is one strategy that can support my investigations and research in land use planning.

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### 1.0 – Introduction

Inclusionary development is an economic strategy that is used by many municipalities to respond to high housing costs (Williams *et al* 2016). This strategy utilizes local planning authority to build housing for the lower income bracket (Williams *et al* 2016). To many cities the ability to produce this type of free market housing is important to the overall economic sustainability of the urban environment. City planning is at the crux of this process, since zoning is utilized in many instances to regulate and direct inclusionary developments.

As for zoning, it is an integral part of land-use planning. Zoning by-laws provide the method by which city planners can put a municipality's official plan into effect. Zoning's purpose is to separate and delegate land-use which provides a legal backbone for planners to utilize in the urban planning process (Ontario 2016d). Zoning is important to municipalities because it gives specific context to the urban land and space. The method works by dividing up a town or city into specific land-use zones (Ontario 2016d). Municipalities rely on the process extensively to effectively separate classes of land-use (Ontario 2016d). Even though the focus of zoning is on determining use of land, the process itself has profound sociological consequences. Paul Davidoff puts these sociological consequences of land-use into perspective, stating that: "zoning represents a municipality's major tool in affecting its long-range goals as a pluralistic community." (Merriam *et al* 1985, p. 3). He advocates strongly for social inclusion in the planning process because it supports democracy and its principles.

The irony is that zoning functions in a contradictory way. Through directing land-use, zoning fragments an urban area into specific land types or "uses". This ultimately impacts the population or "users" of the urban space. Davidoff (1985) questions the function of zoning in North American society, declaring that the social impacts of land-use regulation need to be clearly acknowledged. He argues that the social impacts of land-use should be given as equal consideration in the zoning process as do the physical impacts. This represents a fundamental shift in thought for zoning because traditionally planning through zoning does not consider the "user". Davidoff illustrates the current disconnect by stating that zoning is more concerned with determining

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where to put parking spots rather than with the who the drivers are. Therefore, zoning being more concerned how an urban area will be used can reveal many potential social problems in the urban environment. The consequences are that people are taken out of the equation when it comes to land-use zoning. If certain people are not considered, then perhaps "uses" won't support them. Therefore, zoning being concerned with "uses" over "user" can create social problems such as exclusion. Social exclusion from the urban environment can carry with it several consequences. There is a historical context to this social disconnect in many American cities which prompted Davidoff to call for greater advocacy in planning to support inclusion of marginalized groups. Davidoff's support for the lower income and minority groups resonates in contemporary planning values; however, the problem of exclusion continues to exist in the present social-economic climate. Therefore, the planning process itself must continue to evolve to address this issue. I support that planning should be defined by social inclusion and ultimately a greater consciousness and understanding of inclusionary planning is essential.

The market can have a significant impact on the planning process because planning supports economic development. Therefore, if the market is heading in a certain direction, city planning must make important considerations that involve on the needs of a community and the economic viability of an urban area. Davidoff states that: "As rents and land value climb in rivitalized areas... the housing opportunities for low-income residents decline" (Merriam *et al* 1985, p. 3). His statements of social displacement still apply to this day in many areas of North America, as well as the rest of the world, where housing affordability is a huge concern. The housing market in many of these urban areas has gotten so out of reach to certain income classes that they can no longer afford adequate living conditions. Many cities now find themselves in an affordable housing crisis because the situation has intensified considerably. Cities in crisis are forced to seek out solutions to this problem. Some cities have opted to use the planning process itself as a means to dig themselves out of the hole of social exclusion, and many more are looking to it to find a sustainable solution.

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Inclusionary zoning is one such solution that looks to integrate the low-to-moderate income bracket back into market-rate developments (Porter 2004). This strategy places the responsibility on the developer to provide the affordable units in order to support inclusion of the lower income class in the development. Placing these requirements on the developer is a crafty way a municipality can exploit the market that is running away from certain members of the population. Since inclusionary zoning is able to extract social benefits from a capitalist free market, it has become an increasingly popular tool to integrate into the planning process for many cities and region.

One place where it is currently picking up a lot of momentum is Ontario. The Ontario government has recently garnered a lot of interest to legislate inclusionary zoning from its municipalities. Many of these municipalities are in high growth areas like the Greater Golden Horseshoe are facing affordable housing shortages for their growing populations. This paper will take an in depth look at the key debates circulating around integrating inclusionary zoning in the planning process of this Greater Golden Horseshoe region. A centerpiece for these debates is Toronto, as it is facing a substantial housing crisis. Based on the interviews conducted for this research paper many city staff, amongst which are city planners, have advocated for inclusionary zoning policies in order to be able to address this crisis head on. Toronto, especially, is an interesting place to put under the lens because it is unable to enact official inclusionary zoning policies without having supportive legislation from the province. This adds depth to the debates as they are contextualized from both the top-down and bottom-up in the planning process. The timing of this research is particularly advantageous since the provincial government has very recently passed legislation that will enable its constituent municipalities to enforce inclusionary zoning. The legislation is supported by the province's Updated *Long Term Affordable Housing Strategy* (2016) that will be referenced later in this paper. Therefore, an investigation into the brief history of inclusionary zoning in Ontario is important to understand if this strategy can present the province with a sustainable solution to provide affordable housing.

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Some terms that will be used in the paper are listed below:

- *Inclusion* – means to include all social demographics.
- *Workforce* – for the purposes of this paper it will pertain to the low-to-moderate income bracket.
- *Workforce Housing* – pertains to housing for the low-to-moderate income bracket.
- *Affordable Housing* – Is housing for the low-to-moderate income groups, the criteria for this is dependent on jurisdiction.
- *Inclusionary Zoning* and *Inclusionary Housing* – generally refer to the same concept and can be used interchangeably. For the purposes of this paper *Inclusionary Zoning* will mean the land use regulation that requires affordable housing be built. *Inclusionary Housing* will refer to the affordable units themselves.
- *Inclusionary Planning* – refers to a communicative planning process which looks to integrate all incomes and demographics through mixed income urban development strategies such as inclusionary zoning.

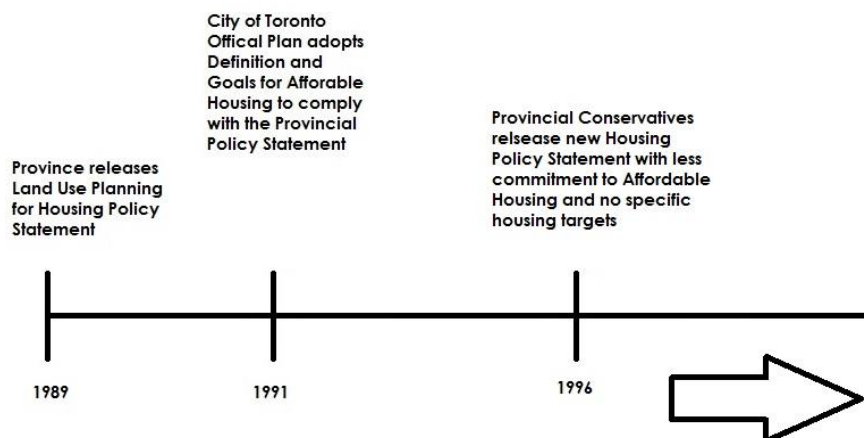
The below represents the timeline of some activities, publications and provincial policy that will be referenced during this paper.

**Figure 1: Timeline of Recent Events in Ontario That Concern Affordable Housing**



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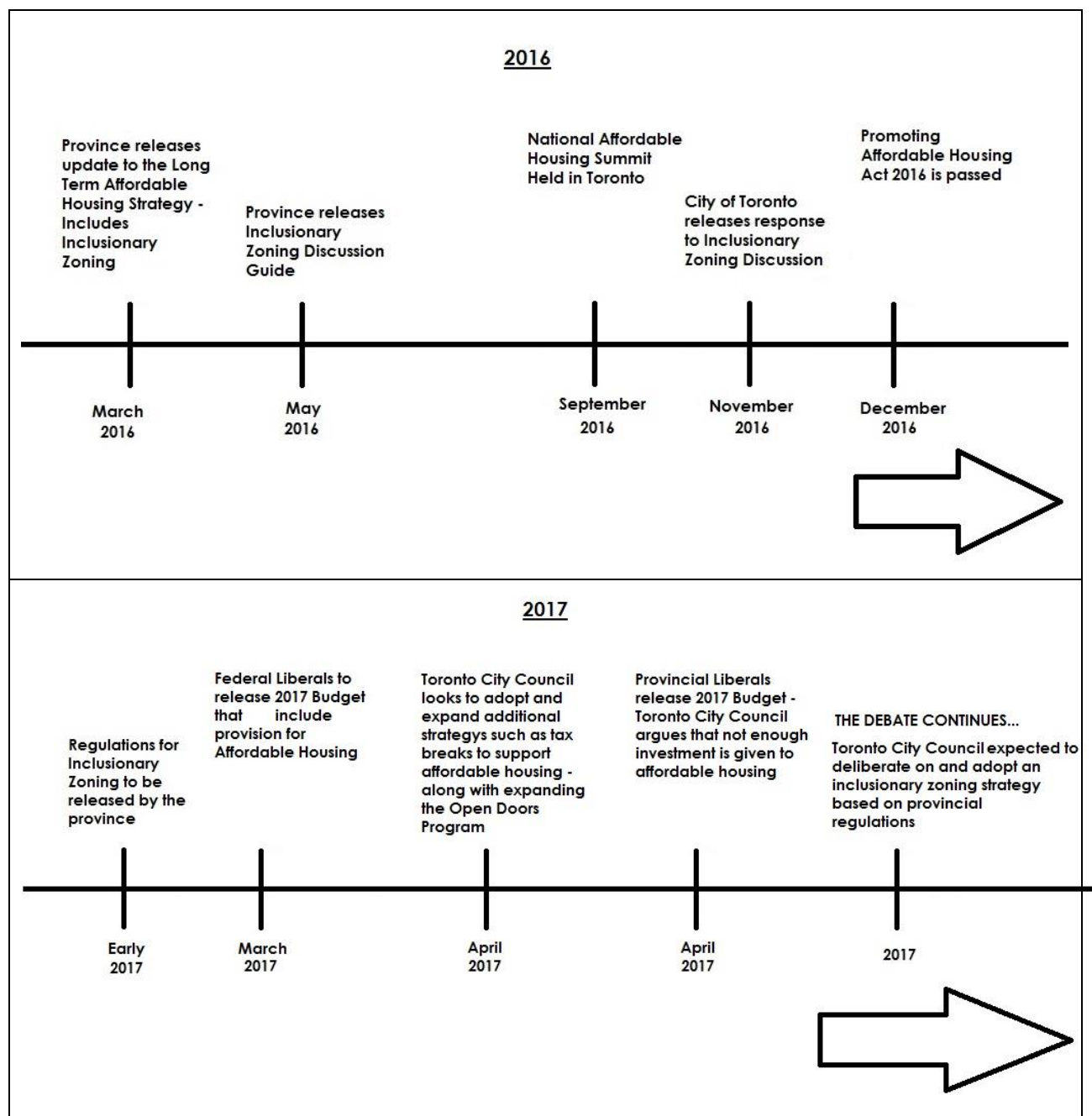
### 1980's/1990's



### Early 2000's

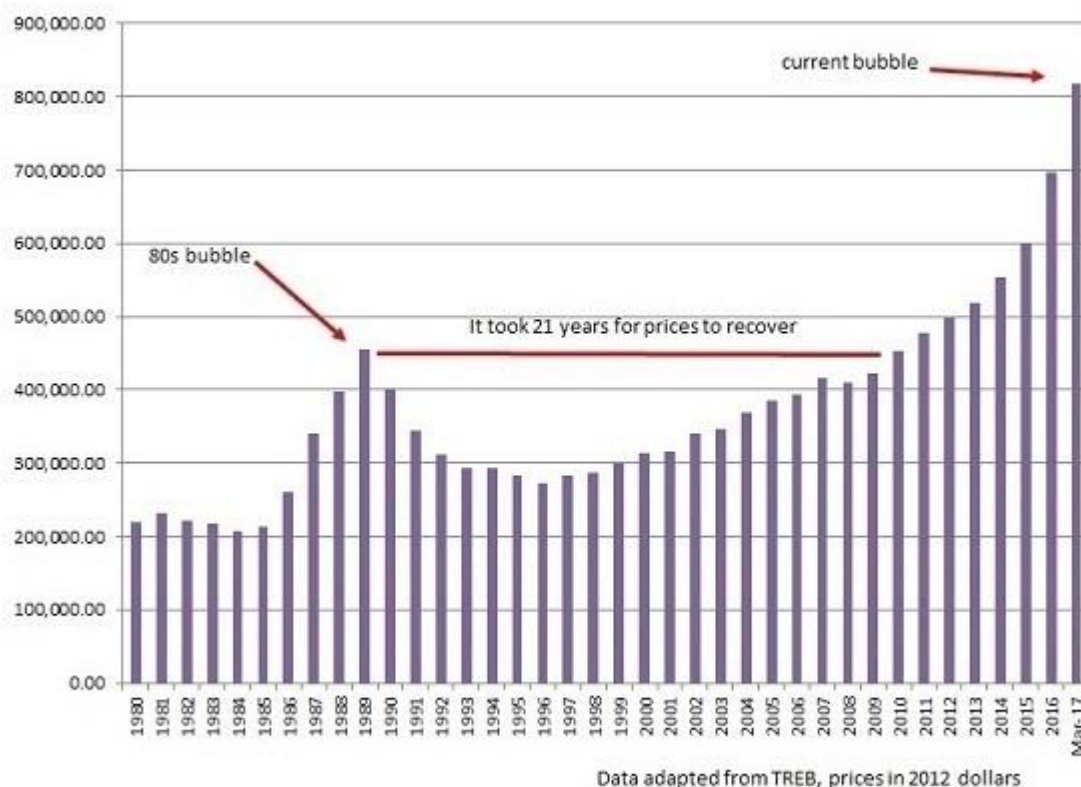


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**Figure 1.1 - Recent GTA Housing Bubbles and GTA Average House Price in 2012 Dollars**



Source: Toronto Real Estate Board (2017) Toronto Condo Bubble. Retrieved from [www.torontocondobubble.com](http://www.torontocondobubble.com)

Looking at the sequence of events outlined by the above two figures closely, it becomes clear that periods of where housing affordability becomes questionable, i.e. "housing bubble", corresponds to provincial actions to address the problem. I support that the process appears to be cyclical, happening over a twenty-five year period or so. The current housing affordability situation appears to be expanding beyond historical limits; therefore, may be the reason that there is more investment by the government presently to support for municipalities with inclusionary zoning powers. The recent political events in Toronto and its surrounding region come to no surprise when you draw a comparison to the housing bubbles and pricing trends. A Toronto planning consultant supports that the inclusionary zoning debates in Toronto emerged around the late 1980's, which coincides with first housing bubble from Figure 1.1. I support that a greater commitment to inclusionary zoning regulation by the province can help address the current housing situation. In particular, if this current housing sustains itself

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over a long period of time and does not correct itself as in the previous housing “bubble”.

### **1.1 – The Affordable Housing Problem**

Affordable housing is a growing concern in many places of the world, and in North America this has become an increasingly complex problem to a large amount of cities and regions. The major implication of this issue is that housing in many cities is becoming progressively more unaffordable to certain income brackets of the middle class. Affordability is identified as a major concern since many individuals in these income brackets are paying over a certain percentage of income to obtain adequate and affordable housing (Hulchanski, 1995). The lack of affordable housing impacts the social and economic viability of cities and their regions because a significant portion of the workforce population comprises this income bracket (Merriam *et al* 1985). Therefore, this can have a profound impact on a city's economy given many must be able to support their industries with a strong workforce.

Currently, there is a strong push by a number of cities in both the United States and Canada to utilize zoning as a means to support development of “affordable” or “workforce” housing units that will house the low-to-moderate income bracket (Williams *et al* 2016). Inclusionary zoning fundamentally works in such a way to either require or encourage developers to include affordable units in market-rate residential developments (Porter 2004). This particular housing policy has been used in the US for several decades, while in Canada attempts have been made to replicate this strategy, in principal, without official power to enforce this type of land use. It is important understand the concept from its historical origins to properly define the term in today's context since it is becoming a much more widespread strategy for planning in North America.

### **2.0 – Methodology and Research Questions**

The research questions for the interests of this paper were to draw out the current debates surrounding inclusionary zoning in Ontario municipalities. Can a central city such as Toronto adopt a sustainable inclusionary housing policy that incorporates

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inclusionary zoning? The important components of a potential inclusionary zoning strategy were also evaluated; these were evaluated through the lens of Toronto's ability to support a sustainable urban environment.

The motivating research question for this paper is to investigate the key debates that involve the inclusionary zoning in Canada, in particular Ontario. Ontario has recently passed legislation that will enable municipalities to enforce inclusionary zoning policies. The goal was to extract from the key debates whether Toronto can support a sustainable affordable housing policy that utilizes inclusionary zoning.

The general methodological approach for this research paper on inclusionary zoning and affordable housing in Ontario is described in the sections below.

### **2.1 – Research Objectives**

The purpose of this research was to investigate the current debates that circulate around Ontario adopting inclusionary zoning as part of its future housing strategy. I focused the research on the investigating the potential consequences that Ontario's *Promoting Affordable Housing Act* (2016) could have. Currently, in Toronto inclusionary zoning is highly debated amongst stakeholders within the city. I evaluated the current debates on how they compare with the existing academic research on inclusionary zoning and with specific case studies. Subjective and objective evaluation of the material and evidence was determined through the following:

1. Literature review of academic research on the topic. This was done in order to isolate common themes, debates and criticism.
2. I evaluated conclusions from the existing research and scholarly articles. This was done through literature review, with a particular focus on the conclusions. The conclusions were compared to the current debates about inclusionary zoning provided through interviews by members in the Ontario Ministry of Housing and Municipal Affairs and local stakeholders who have influenced the *Promoting Affordable Housing Act* (2016) legislation.

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3. I evaluated the current debates and conclusions through interviews that were conducted from stakeholders within the City of Toronto's Planning Department and Affordable Housing Department. These individuals were selected along with others involved in the socio-political arena influenced by the *Promoting Affordable Housing Act* (2016).

The overall goal of the research, based on data limitations and availability of historical evidence, was to investigate how academic debates on inclusionary zoning influence and compare to the current debates in the Province of Ontario. As a consequence, evidence provided from expert opinion through interviews was important since objective evidence and data are limited. Case studies that have involved the influence of the legislation are limited due to the regulations of the legislation being evaluated at the time of the paper. Past case studies in Ontario involving attempts to enforce inclusionary zoning were used as insight. The conclusions of the existing research in other jurisdictions were compared to the context in Ontario. This was done so that best practices and general goals for the province and the Toronto region could be evaluated.

### **2.2 – General Approach**

In order to answer the research questions I undertook a qualitative research approach with the following methods: academic and scholarly literature review, opinions and experiences from interviews of academic planning professionals, key stakeholders, affordable housing and planning experts and through statistical evidence where available from case studies or census data. These individuals who were interviewed were determined through using the "snowball" effect to network using an interviewee's professional network to contact supplementary interviewees.

Due to timing of the research, during which many recent events have circulated in the media, were not able to be evaluated to the detail and extent that the academic literature was or the interviewees were. This is because the research wanted to focus on overarching themes that could be evaluated based on information provided by professionals and academics. If the research were to continue longer then

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opportunity would be present to evaluate these publications as well. To prove some critical points several charts and diagrams were used. These were obtained from online government publications, research and data websites and journal publications.

The literature review is focused on isolating common conclusions and observations in the academic literature. These are to be compared with continuing debates and available conclusions drawn from the Ontario context. Some anecdotal evidence for the case of Toronto will be established through a review of opinion pieces and legislative documentation. Key stakeholders were interviewed and asked specific questions in order to allow them to express their opinions on the current debates and to give insight into the impacts of inclusionary zoning in Toronto. These included individuals from the political and planning arena such as: city planners, affordable housing experts, affordable housing advocates and building project developers. Statistical evidence, where available was utilized to define certain criteria and evaluate some conclusions for the City of Toronto. Evidence from the interviewees was crucial to help evaluate possible inclusionary zoning strategies that could be used once the legislation and regulations are available. I utilized these findings in order to understand and ascertain how best practices can be evaluated and implemented in an Ontario city such as Toronto.

### **2.3 – Limitations and Assumptions**

Since Inclusionary zoning powers have been absent from housing policy for Ontario, I have proceeded with very limited contextual evidence from relevant local cases in Toronto. Instead, I will evaluate conclusions drawn elsewhere where planning and zoning laws may be significantly different. My objective in this case is not to draw a direct comparison between two city case studies, but to extract common themes and debates as they relate to Ontario at present. The legislation to allow municipalities the power to enforce inclusionary zoning has just been passed in the Ontario legislature so the province's updated *Long Term Affordable Housing Strategy* (2016) now will be implemented. Based on this limited time frame however, I did have the opportunity available to compare conclusions from the academic literature with the current debates occurring within the province now.

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It would not be correct for me to outright assume that taking a case elsewhere and applying it to the context of Ontario would allow for a direct comparison. This is because municipal governance is different depending on jurisdiction. I have found that assumptions must be made as well based on the regulations that are currently being developed due to time constraints. This is because they have yet to be released to the municipalities or implemented. In order to understand correctly how the government wishes to adopt inclusionary zoning and define it in this province, expert opinion will need to be evaluated and conclusions will need to be drawn from the evidence they provide. Ultimately, a full inclusionary policy review will not be feasible for the extent of this project.

Opinions gathered from individuals who are key stakeholders were assumed to represent overall opinions from their respective field; however, more individual and varying opinions may exist and will be difficult to evaluate them all. With logistical limitations and the overall scope of this research non-exhaustive sample sizes were used to record expert opinions experts and stakeholders.

### **2.4 – Key Informant Interviews**

Ten key professional interviews were conducted during the first three months of 2017 which comprised of:

- 1 – Academic Land Use Economist (LU Economist) – January 12<sup>th</sup>
- 2 – Inclusionary Housing Advocates/Expert (IZ Expert) – January 19<sup>th</sup>
- 2 – Toronto Land Use Policy Planners (TO Planner) – February 3<sup>rd</sup> & February 22<sup>nd</sup>
- 1 – City of Toronto City Planning Manager (TO Planning Manager) – February 14<sup>th</sup>
- 1 – City of Toronto Affordable Housing Manager (TO AH Manger) – January 27<sup>th</sup>
- 1 – Private Planning Consultant (TO Consultant) – March 2<sup>nd</sup>
- 1 – Private Developer (TO Developer) – February 17<sup>th</sup>
- 1 – Provincial Ministry Policy Team Leader (ON Ministry Team Lead) – February 10<sup>th</sup>



### 3.0 – Origins of Inclusionary Zoning in the United States

Inclusionary zoning has strong historical roots in several cities of the US and was initially used as a method to address the segregation of classes between the inner cities and suburbs (Davidoff & Davidoff 1970; Merriam *et al* 1985). In his Urban Land Institute (ULI) publication, *Inclusionary Zoning for Affordable Housing* Porter (2004) indicates that inclusionary zoning emerged in United States during the late 1960's and early 1970's as a strategy to help address the inadequate supply of affordable housing that was occurring nation-wide. Calavita (2006) further explores foundations of inclusionary planning policies being motivated primarily by four major social and economic influences that were occurring during this period of time. These influences were: racial inequality, deregulation, growth controls and housing affordability issues (Calavita 2006). Therefore, inclusionary zoning in its American beginnings was a reaction to the socio-political forces of the 60's. During this time, the deregulation of federal affordable housing programs was occurring and began to influence the social fabric of many of the nation's major cities. The social disconnect in many of these urban areas was perpetuated by racial discrimination caused by exclusionary zoning mechanisms (Davidoff & Davidoff 1970). The origins of inclusionary zoning beginning in the late 1960's are significant because these connect this housing development strategy to a period where urban planning was coming under heavy scrutiny for racial and class segregation (Merriam *et al* 1985).

In many cases, exclusionary zoning practices were a fact of life during the 1950's and 1960's as suburban development was expanding outwards from the central cities. Inclusionary zoning was encouraged by many racial equality advocates in the latter part of these two decades to help support the social stability of cities. Social movements were also gaining momentum, looking to "open up the suburbs" to support the housing needs of low income and minority groups that were excluded (Davidoff & Davidoff 1970). Davidoff and Davidoff (1970) state that these movements looked to challenge the planning influences during this time that enabled the suburbs to attract the majority of housing development and job opportunities. It was becoming more and more evident that central-city urban renewal developments were not being built to

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support the housing needs of lower income classes (Porter 2004). American suburban life excluded these types of classes since the zoning was not supporting the appropriate density or developments that could house these individuals (Porter 2004; Davidoff & Davidoff 1970). Porter (2004) discusses that trends towards a workforce state also impacted inner city housing too, as many cities in America saw a decline in federal support for low income housing. Porter (2004) mentions that as a consequence of the federal deregulation, the responsibility of providing affordable housing to low-to-moderate income groups was now being imposed on the municipalities. For many cities in America this was the case; therefore, inclusionary zoning was being considered as a possible answer to address the segregation and deregulation issues occurring during this period (Merriam *et al* 1985).

### **3.1 – What is an Inclusionary Zoning Policy?**

Inclusionary zoning policies have evolved over time and differ in which jurisdiction they are implemented. For example, New York has very context specific inclusionary zoning policies and this will differentiate it from policies used in San Francisco. Despite the differences, there are many generalizations that can be drawn amongst them. Powell and Stringham (2005) define an inclusionary zoning policy as an “affordable housing mandate that places a price control on a percentage of new development, requiring builders to sell or rent those homes which are deemed affordable to low-to-moderate income households” (Powell & Stringham 2005, p.2). When the concept was first introduced several decades ago it was more or less a mandatory imposition on development, but over recent years it has evolved to include a much broader spectrum of policies (Powell & Stringham 2005). These policies can be characterized in three distinct ways; mandatory, incentive-based and negotiated (Gladki & Pomeroy 2007). How the inclusionary policy is characterized can influence both the specific components of the policy and how it will impact a development (Clayton & Schwatz 2015). Clayton and Schwatz (2015) state that inclusionary zoning policies can generally be placed into one of two categories: mandatory or voluntary. For several years many Canadian municipalities have been wrestling with implementing policies from both types. The struggle of these municipalities to create effective

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programs is fleshed out in a later section; however, first an understanding of what characterizes inclusionary policy is important.

In defining mandatory inclusionary policies Mah (2009) states that: "mandatory inclusionary programs, require developers to contribute toward the provision of affordable housing as a condition for development approval." (Mah 2009, p.19). These policies are generally based on a specific formula to determine the requirements for the developer by directly stating the percentage of affordable units to be set aside in new residential developments (Gladki & Pomeroy 2007). In contrast, Mah (2009) defines voluntary inclusionary policies in such a way: "Alternatively a program could be voluntary, enticing builders to develop affordable housing in order to take advantage of the proffered incentives" (Mah 2009, p.19). Gladki and Pomeroy (2007) elaborate by stating: "These programs generally have a schedule of incentives which developers may elect to negotiate in exchange for inclusion of a negotiated level of affordable dwellings" (Gladki & Pomeroy 2007 p.10).

Gladki and Pomeroy (2007) describe other components to an inclusionary zoning policy, one of which includes threshold size. Generally, the inclusionary requirements will affect developments of a certain land area and floor density (Gladki & Pomeroy 2007). A Toronto planner states that these criteria can regulate both residential and ownership dwellings and are generally constructed around the requirements of the particular urban areas housing market (TO Consultant). The definition of affordability is an important consideration for a policy too, as many jurisdictions can have different evaluations or criteria for affordability. This will impact who is eligible for the affordable units, for renters it will generally be based on criteria from a municipal waiting list; whereas, eligibility for ownership units may be subject to first-time buyers and other income criteria (Gladki & Pomeroy 2007).

The extent of obligation which is the percentage of units that the developer must set aside can vary but is generally between 10 and 30 percent (Gladki & Pomeroy 2007). A policy developer from the Ministry of Urban Affairs and Housing claims that the term of affordability or affordability period is another significant component as it is an important measure of an effective policy. She states that affordability period generally

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will impact the sustainability of a program because inclusionary zoning programs are most effective on a long term basis (ON Ministry Team Lead). Gladki and Pomeroy (2007) state that affordability period can generally be negotiated at the time of development for residential rental units and can be applied over 10 to 35 years. For ownership units however, Gladki and Pomeroy (2007) mention that affordability period is much more complex in this case mainly because the units are more subject to mortgage rates and market influences.

Lastly, the extent of incentives is one of the particularly important components of an inclusionary policy as it will impact a policy's effectiveness to encourage developers to build (Gladki & Pomeroy 2007). Incentives can come in several forms, Gladki and Pomeroy (2007) claim the more common forms are density bonusing and development fee waivers. A land-use economist from the University of Ryerson states that inclusionary policies have a particular limitation in that they are only effective in urban areas where a significant amount of development is already occurring. This is due to the imposition it places on developers (LU Economist). Therefore, the particular incentives that an inclusionary program uses will be to some degree or another characteristic of the municipality that is implementing the program. This is because the incentives that the municipality wants to offer will need to effectively entice the developer to set aside affordable units. A Toronto planner states that these incentives will also impact the development and land-use goals of the municipality, such as building height or density, etc. (TO Planner #1). An example is: a city that zones for high density will, most likely, encourage an increase in density as an incentive to the developer. Gladki and Pomeroy (2007) identify the more common incentives to include such items as:

- development subsidies
- fee waivers
- design flexibility
- fast track development approvals, and
- density bonuses

A Toronto Developer confirms that many of the incentives listed by Gladki and Pomeroy (2007) if provided through policy would help encourage them to build under

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inclusionary housing guidelines. Since incentives are so important in the process of encouraging development under inclusionary regulations, affordable housing tends to be associated as something that can be extracted from a development approval. A reason for this is because many past US policies began to identify affordable housing as a “public exaction” that could be “taxed” on to developments by using the above items as incentives for the developer (Porter 2004). Over the years, influences on inclusionary development have been changing, which has had an impact on where and how inclusionary policies are used.

### **3.2 – Evolving use of Inclusionary Zoning Strategies in the US and Adoption in Canada**

In more recent years, inclusionary development has been used more to address contemporary influences on American cities such as growth controls and issues with market-rate housing affordability (Cheng 2009; Calavita 2006). These trends have a strong precedence in the Canadian context due to the two countries close geographical and economic connections. Cheng (2009) writes that economic issues impacting housing affordability in many American urban areas are shared between both countries. Historically, Canada has also experienced similar declines in federal support to provide affordable housing for cities and regions. Therefore, the Canadian context has also necessitated the need for inclusionary housing policy due to similar trends that have downloaded the responsibility of providing affordable housing increasingly onto the municipalities.

Both countries have shown a growing interest to use inclusionary development strategies to provide housing affordability to meet the needs of the population (Williams *et al* 2016). Porter (2004) writes that in the decades following the beginnings of inclusionary zoning in the 1960's, opportunities became present for American municipalities to utilize developers to build low-cost housing within market-rate developments. Municipalities were becoming dependent on developers to build or contribute to community benefits such as: parks, community centers, etc. As previously mentioned, this was achieved through the use of public exactions that were imposed on developments (Porter 2004). Opportunities were present in certain economic conditions to have affordable housing be used as such an exaction in order to approve

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developments that were subject to inclusionary policy. Porter (2004) states that many American cities implemented policies that would either require or encourage developers provide affordable units through the use of incentives.

Local governments in Canada have also taken advantage of opportunities to encourage developers to provide affordable housing; however, it has been through slightly different methods than the American approach. This is due to the legislative differences of Canadian municipalities; therefore, inclusionary housing policies have been less prevalent in Canada because of the absence of official inclusionary zoning by-laws. Gladki and Pomeroy (2007) state that the lack of provincially legislated zoning power for inclusionary development differentiates Canadian policies from the US models; however, Canadian policies arguably present a larger array of options to urban development. What Gladki and Pomeroy (2007) mean by their statement is that Canadian policies have been able to extract a more diverse selection of community benefits than American municipalities have, such as: land allocation for affordable housing. The ability of Canadian policies, in particular those in Ontario, to efficiently exact affordable housing from residential developments using existing policy is heavily debated.

### **3.3 – A Canadian Answer to Inclusionary Zoning?**

With many lively debates occurring around the effectiveness of Canadian policy to create affordable housing, inclusionary zoning often gets placed in the spotlight. Moore and Skaburskis (2004) have argued that in Canada the housing affordability problem has perpetuated over recent decades. Although the problem has affected many different income ranges the low-to-moderate income bracket has been impacted the most. In the past few decades, many Canadian communities have had to cope with increasing demand for affordable housing and shrinking public investment in housing (Moore & Skaburskis 2004). This has sparked a growing interest in inclusionary zoning among urban policymakers. For Canada, it wasn't until the early 1990's, a few decades after the deregulation of housing programs in the US, that Canada followed suit by substantially reducing federal investment (Gladki & Pomeroy 2007). Municipalities

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were imposed on more and more with having to solve this affordable housing problem and deliver on expectations set forth by the provinces.

Past Canadian experience with inclusionary policies is primarily limited to jurisdictions in Ontario and British Columbia (Cheng 2009). In both instances, the approaches have been based on achieving affordable housing contributions through incentive-based approvals that are negotiated, rather than mandated programs (Gladki & Pomeroy 2007). Until very recently, there has been little to no support for municipalities in Canada to enforce inclusionary zoning from the senior government. Municipalities are also legislatively different entities than they are in the US with relatively lower degree of control over local policy. A Toronto planning consultant mentions that this is a strong indicator to why there has been so disproportionately few inclusionary programs in the Canadian context to date. This Toronto planning consultant states that it is because a municipality in Canada must be granted inclusionary zoning powers through legislation from their respective provincial governments (TO Planning Consultant).

The degree of difference between the US and Canadian approaches on policy can be largely attributed to two major influences. The first, as previously mentioned, being the differences in top down governance of municipalities. Mah (2011) reinforces this difference when she discusses the "home-rule" principal stating that American municipalities are empowered to enact certain by-laws without the need of state legislation. The second, could be in differences between how each country defines an individual's "right to housing"; this impacts how affordable housing is being defined. This is indicated by both Mah (2009) and a policy developer at the Ministry of Urban Affairs and Housing. In the United States, inclusionary programs function to provide "workforce" housing; whereas Canada defines them as a means to provide a "core-housing need" (Mah 2009; ON Ministry Team Lead). The Canadian Mortgage and Housing Corporation (CMHC) uses "core-housing need" to define housing based on adequacy, affordability and suitability criteria. In Canada, affordability is generally defined under these criteria declaring that housing should not cost more than 30 percent of the household income. Both countries possess ideologies that define housing

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is a right rather than privilege, in the Canada this right is stated explicitly through provincial directives such as Ontario's *Long Term Affordable Housing Strategy* (2016).

In recent years, there has been a lot of interest circulating around granting Canadian municipalities the inclusionary zoning powers that many US cities have. This means that defining what “affordable” means in the context of Canada is important since it will define the goals and direction of its inclusionary housing initiatives. The Canadian Mortgage and Housing Corporation uses the “Housing Continuum” to define affordable housing in Canada.

**Figure 2: The Housing Continuum**

The Housing Continuum						
Emergency Shelters	Transitional Housing	Social Housing	Affordable Rental Housing	Affordable Home Ownership	Rental Housing	Home Ownership

Source: CMHC (2010) A Guideline for Canadian Municipalities for the Development of an Affordable Housing Action Plan

In this model social housing is clearly defined as a sub-unit of affordable housing; where social housing relies primarily on government subsidy. This helps clearly identify the type of housing that inclusionary zoning can support, which can be either affordable ownership or rental housing. These types of housing are geared towards the low-to-moderate income bracket that would not be able to “afford” market rate housing according to the criteria set by the province. These would best define the “workforce” housing component of Canadian housing; therefore, inclusionary programs would operate in order to provide housing for this particular income category (ON Ministry Team Lead). In the interests of defining a Canadian answer to inclusionary zoning I feel strongly that a brief comparison is useful between two different cities in both countries. This will help to differentiate more clearly how Canadian municipalities have addressed housing affordability through inclusionary programs to date.

### 3.3.1 – A Comparison of Two West Coast Cities: San Francisco and Vancouver

Despite the vast governance and legislative differences of municipalities between Canada and the US some broad comparisons can be made. I chose to



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compare San Francisco and Vancouver because they are two cities that exist in a similar housing affordability context. The basis for my choice is a recent international housing survey that recognized both cities as two of the top ten most unaffordable cities in the world (Cox & Palvatich 2016). Therefore, this indicates that both these cities are facing great challenges in providing affordable housing to the low-to-moderate income brackets of the middle class.

In the case of San Francisco formal inclusionary zoning policies were enacted to face the effects of growth management since the early 1990's (Calavita 2006). The city's policies work in such a manner that places growth controls on new developments. San Francisco imposes requirements on developers to force them to provide inclusionary housing through approving only development proposals that include affordable units (Calivita 2006). The city manages its growth through exactions that require developers help pay for infrastructure and public facilities; consequently, providing affordable housing units can be used in such a manner that places a fee on development (Calivita 2006). Calivita (2006) argues that strong development markets put cities like San Francisco at an advantage when it comes to influencing the developer to contribute innovative strategies to create affordable units through linkage fees, exactions, etc. Canadian cities have also leveraged their position in a similar sense.

The State of California managed to take advantage of these trade-offs implementing an array of mechanisms for both mandatory and voluntary inclusionary programs for several cities including San Francisco. This has enabled both the city and state to support low-to-moderate income housing through policies that use linkage fees and exactions like density bonusing (Calavita 2006). This exaction strategy has also been used elsewhere in North America and includes City of Vancouver; however the approaches vary greatly.

In her comparison of San Francisco and Vancouver, Cheng (2009) writes that Vancouver is one of the few municipalities in Canada with a comprehensive inclusionary housing policy. This policy is called the 20 percent policy (Cheng 2009). Like San Francisco, Vancouver is one of the top ten most expensive places to live in the

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world, which necessitates Vancouver's need for inclusionary housing programs (Cox & Palvatich 2017). Both cities have policies that request developers to provide 15 to 20 percent of units built for affordable housing; however, as mentioned the policies and mechanisms to create these units vary extensively.

An inclusionary housing expert claims that the Vancouver area is one of the most proactive regions for inclusionary programs in Canada (IZ Expert). Over the years it has seen some successes in the absence of official inclusionary powers provided from the province. The 20 percent policy has worked favourably in some neighborhoods, such as the false creek area which has generated 1,704 affordable units since 1988 (Tomalty *et al* 2000). Tomalty *et al* (2000) write that over the past few decades Vancouver has managed to support affordable housing contributions through various mechanisms such as density bonusing while receiving modest provincial support. Gladki and Pomeroy support this stating that: "In 1993 the Municipal Act was amended in BC enabling local governments to undertake "comprehensive development zoning" which includes the provision for some form of incentive-based inclusionary policy for large projects where density bonuses are negotiated" (Gladki and Pomeroy 2007 p.5). Using this legislation the City of Vancouver has been empowered to negotiate contributions towards affordable housing with developers through allocation of land (Tomalty *et al* 2000). Tomalty *et al* (2000) explain that this land is typically classified as a "comprehensive development zone", whereby it can be used for affordable housing projects to be built with the help of government funding. This has made Vancouver's experience distinct since in San Francisco the construction of affordable units has been by the developer who receives benefits such as density bonuses in return. Vancouver similarly uses density bonusing as a benefit; however, it generally has only been used to entice the developer to allocate land (Tomalty *et al* 2000). This land then available for affordable housing but in many cases government funding is still required to support the building of affordable units (Cheng 2009).

The "20 percent policy" has arguably been more successful in creating land for affordable housing; however it is thought that Vancouver's inclusionary housing policy could have greater potential since there are cases where the land has yet to be

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developed (Gladki & Pomeroy 2007). This is a strong indicator that the policy has not been as successful as was initially intended. Cheng (2009) argues that a major reason for this is that Vancouver is dependent on negotiated deals and sustainable partnerships between municipal *and* provincial governments with developers. If these partnerships aren't in place then the housing generally doesn't get built. This indicates that more policies, inclusionary powers, or greater investment from the provincial level down could make a difference for the City of Vancouver in creating a diverse affordable housing supply. In spite of the shortcomings, it is argued by an inclusionary zoning advocate that Vancouver's policies and initiatives have been better evaluated and implemented than other Canadian cities. This has provided it with an edge over places such as Toronto or Montreal in terms of adopting and implementing a comprehensive affordable housing strategy (IZ Expert #1).

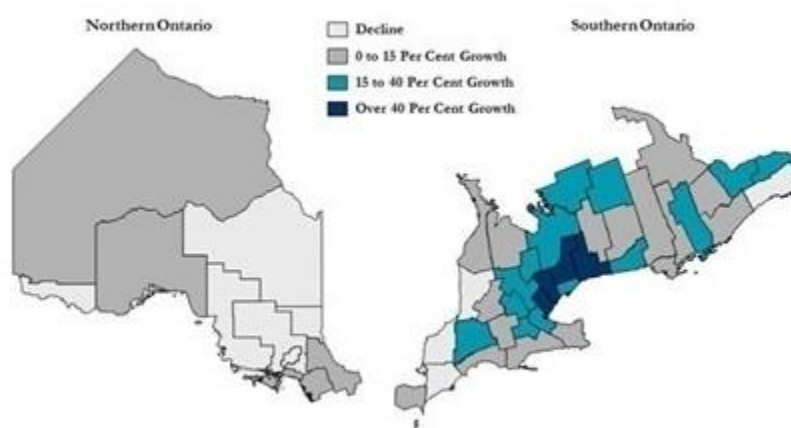
In defining the housing problem on the in other parts of Canada, an investigation into the province of Ontario and its history and experience is insightful for two reasons. First, many of Ontario's municipalities have faced great challenges over the past several decades in providing affordable housing. Secondly, the province of Ontario has recently updated its *Long Term Affordable Housing Strategy* (2016) which now seeks to empower its municipalities with inclusionary zoning powers. This is an important turn in direction for the province and the Canadian experience in providing affordable housing. The major reason is that debates have been circulating for many years around the province adopting inclusionary zoning. In some instances a crisis situation is what it takes to make policy-makers take notice to enact change. In the case of Ontario, a crisis appears to be looming. The benefit of such a crisis is that it will present opportunities to the country to develop solutions to the widespread housing affordability issue. The updates to Ontario's Long Term Affordable Housing Plan will also present an opportunity to clearly define the Canadian context for inclusionary zoning and its role in sustainable development. These details will be discussed in a later section, first contextualizing Ontario and its largest growth region is important.

### **4.0 The Emerging Housing Crisis in Ontario**

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The Greater Golden Horseshoe is one of the most densely populated regions of Ontario and its continued growth is managed by a provincially mandated *Growth Plan* (2006). With the *Growth Plan* managing the development and population growth, municipalities in this region are growing at an extremely high rate when compared to other urban regions in North America (Ontario 2013; Hemson Consulting 2013). The forecasted population growth for the region is indicated by figure below provided by the Ontario Ministry of Finance.

**Figure 3: Projected Population Growth and Decline for Ontario 2015 to 2041**

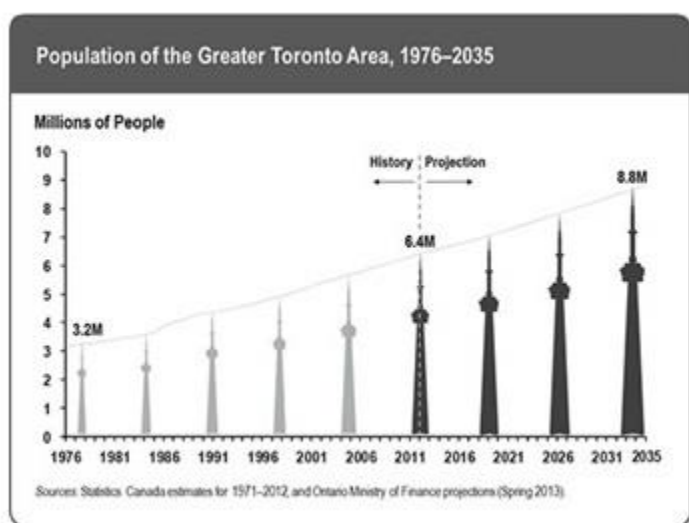


Source: Ontario Ministry of Finance Projections (2015). Retrieved from [www.fin.gov.on.ca](http://www.fin.gov.on.ca)

The consequence is that this region possesses both a high growth rate and high population density when compared to other regional counterparts within North America (ON Consultant). As a result of this growth and the projected population increase due to and migration into the area, municipalities within the region are faced with skyrocketing housing prices creating large concerns around adequate workforce housing supply (ON Ministry Team Lead). With housing being less affordable to citizens of low-to-moderate income levels, it presents severe consequence for central cities such as Toronto to fully actualize the goals of social inclusion as outlined by both the *Growth Plan* and the City's Official Plan. Based on projections by the Ministry of Finance, the population of City of Toronto is also expected to grow substantially over the next 20 years.

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Figure 4: Projection Population Increase for the Greater Toronto Area



Source: Ontario Ministry of Finance Projections (2013). Retrieved from [www.fin.gov.on.ca](http://www.fin.gov.on.ca)

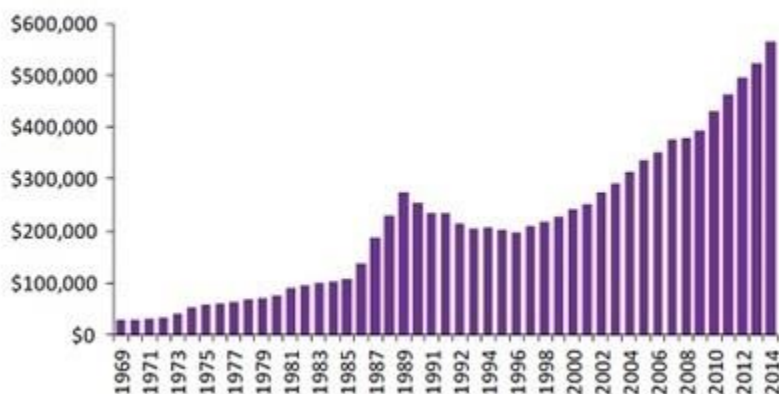
With the City expected to grow by close to 3 million people in the coming future, I conclude that there will need to be a serious evaluation by the City on how to house a population of all income classes. This is important because a prime directive of the Toronto Official Plan is develop the city in such a way that it can be a place of opportunity and inclusion (City of Toronto Official Plan).

### 4.1 – Defining the Problem

Hulchanski (2007) indicates in his publication *Three Cities within Toronto* that during the last forty years income disparity and polarization has been increasing within the region. He also indicates that there is a disproportionate amount of affordable housing units that have been produced over this period of time in order to sustain the population influx (Hulchanski 2007). A Team Leader at the Ministry of Urban Affairs and Housing expresses that concerns have arisen from the province over this growing income gap and it becoming too wide at the present time so the low-to-moderate income groups will be unable to keep up with steadily increasing housing prices. Figures produced by the Toronto Real Estate Board and presented in a publication by the Toronto Condo Bubble website (2013) and The Huffington Post (2014) demonstrate the disconnect between housing cost and average wage in the Greater Toronto Area over the past 30 years.

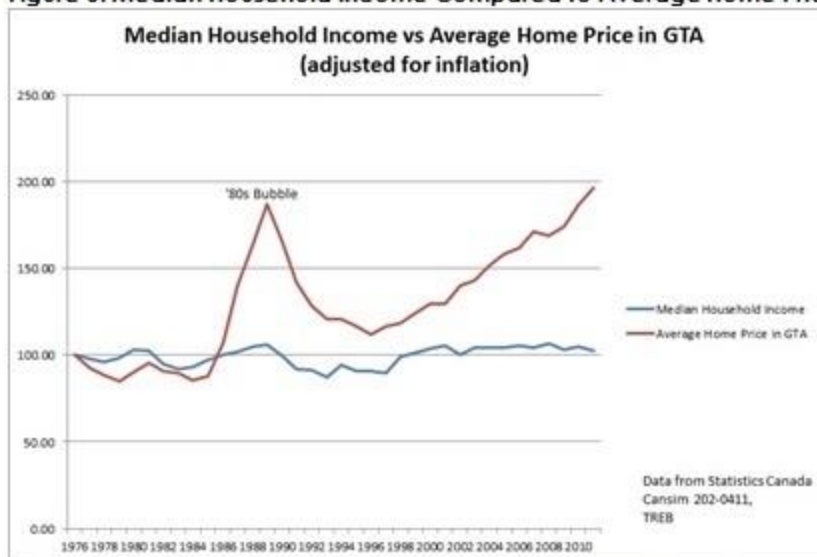
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Figure 5: Average GTA Housing Sale Price



Source: Toronto Real Estate Board (2014). Retrieved from [www.huffingtonpost.com](http://www.huffingtonpost.com)

Figure 6: Median Household Income Compared to Average Home Price



Source: Toronto Real Estate Board (2013). Toronto Condo Bubble. Retrieved from [www.torontocondobubble.com](http://www.torontocondobubble.com)

The recent 2011 Canadian census indicates that there has been a decrease in housing affordability over the last 25 years or so, stating that at the time of the survey 60% of renters in Ontario had access to affordable housing which has declined from 70% in 1991 (Canada 2011). This is cause for concern since current projections show that the *Growth Plan* will continue to accommodate a substantial growth rate in Toronto and the surrounding municipalities into 2041 (Ontario 2006). One primary goal of the provincial *Growth Plan* is to develop a sustainable region with a robust central city

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(Ontario 2006). In this case in order to meet this important objective the province feels strongly that more affordable housing will need to be produced to support the intended population influx (ON Ministry Team Lead). This affordability is important for the region and Toronto as its central city since the *Growth Plan* advises to attract a strong, educated workforce population that consists of a diverse range of incomes “whose social and economic diversity are critical factors for success in the growing knowledge economy” (Ontario 2006, p.7).

The affordable housing problem is a region-wide one, but Toronto in particular has been facing it for some time (Friskin 2001). The problem is important to address because it impacts both home owners and renters. Furthermore, and the inflating housing market within Toronto has become inaccessible to low-income households (Hulchanski, 2007). Intensifying the problem is an income gap between owners and renters that is widening as well. Hulchanski's findings are important they paint a picture where there is a huge amount stress on rental properties to provide an adequate supply of affordable units. The provincial policy statement released in 2005 clearly defines what affordable means in Ontario: “housing...costs which do not exceed 30 percent of gross annual household income for low and moderate income households” (Ontario 2005 p.1). Based on the Canadian standard of affordability, there is at present a disconnect in income versus housing cost which raises concerns around it deteriorating further as the region develops (ON Ministry Team Lead).

Along with Hulchanski, the CHMC (Canadian Housing and Mortgage Corporation) has produced reports that indicate that there is an immediate need to create more affordable housing in the city of Toronto. There are a few strategies that Toronto can presently utilize to address this; however, there remain strong debates among policy-makers, planners and economists as to whether these strategies can produce the affordable units required. Toronto city planners are presently expressing a sense of urgency and requesting for greater legislative powers to create affordable housing (TO Planner #2; TO Planner #1). An inclusionary zoning expert backs the planners up by expressing that there is a need for additional legislative powers since at present there is no comprehensive housing strategy put forth by the City to help

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determine an effective solution to housing affordability (IZ Expert). An important goal for planning and affordable housing departments in Toronto is to increase production of affordable units within the City (TO Planner #1; TO AH Manager). Based on the interviews and literature I have concluded that empowering municipalities through stronger provincial investment and legislation with respect to providing affordable housing is crucial. As I will discuss in upcoming sections this is important for the City of Toronto and its region to have more power to enforce inclusionary zoning in order to avoid the issues of social exclusion that accompany a lack of affordable housing.

### **4.2 – Towards a More Consistent “Top-Down” Vision**

Gladki and Pomroy (2007) present a strong argument supporting why municipalities in Ontario have not seen strong successes in inclusionary policy making in the past. Their claim is that it is due to a lack of dedication and direction from the province. Several decades of an inconsistent top-down vision has not provided the municipalities with ability to create adequate policies to utilize in order to produce affordable housing. A good example is provided from Greene (1991) who cites Reemark vs. The City of Burlington case as an instance where existing legislation in the *Planning Act* (1990) failed to support the 1989 *Land Use Planning for Housing Provincial Policy Statement*. In this case, the City of Burlington made policy to provide affordable units in a condominium project. He discusses that the developer however, was able to appeal the affordable unit requirement to the Ontario Municipal Board (OMB) and the Board supported the appeal based on inconstant wording in Burlington's inclusionary housing policy. This is a great example of how historically in Ontario direction has been given to the municipalities to create affordable housing but the right legislative tools and funding were not available (Greene 1991).

Since that time the Province of Ontario has fluctuated heavily on its commitment to supporting the municipalities in their attempts at providing affordable housing (TO Consultant; Frisken 2001). Referring back to the timeline the government has provided direction to the municipalities through provincial policy statements and legislation to encourage them to both set targets for affordable housing and to implement policies using their official plans to create this housing stock. One of the legislative movements



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includes the *Growth Plan* (2006). These have benefited the municipalities with more clear definitions of how to set targets for affordable housing (Gladki & Pomroy 2007). A Toronto affordable housing manager mentions that many municipalities including Toronto have had difficulties meeting their targets over the years. A Toronto planning consultant indicates that the investment by the government has fluctuated heavily over this time with different political parties enforcing different mandates. In the last few years however, there has been a significant move forward in the Government of Ontario to take ownership in supporting municipalities to create more affordable housing. This is reflected in the provinces *Long Term Affordable Housing Strategy Update* (2016).

City planners and affordable housing policy advocates in Toronto have held a strong argument in recent years that they have needed additional powers and direction from the province. This is in part due to the fact that the City itself is amidst its own unique housing problem. Toronto and its surrounding municipalities are building a significant amount of new housing to support an increasing population; however, the housing market in Toronto is in such high demand that it is forcing housing prices to increase drastically. This presents a fundamental issue to the city and region since housing prices at their current state may exclude individuals of certain classes from finding affordable housing.

### **4.3 – Toronto's Affordable Housing Problem Defined**

Defining housing in an economic by placing it into a supply and demand relationship provides a strong argument for the existence of an emerging affordable housing problem in the City. Data presented by the Canadian Mortgage and Housing Corporation (CMHC) and the Canadian Census (2011) indicates that currently demand to live in Toronto is high which is indicated by the City's extremely low vacancy rates. The City's extremely low vacancy rates when compared to other Canadian cities and is below the national average.

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Figure 7: Vacancy Rates for Canada's Major Urban Centers



Source: CMHC (2016) Rental Market Survey

In light of the Toronto region's particularly high growth rate, supply issues for the City have become increasingly apparent. The problem is exacerbated by not only a growing demand to live in the city but also by a seemingly endless inflation of housing and rental prices.

Figure 8: Vacancy Rate Compared to Price Growth in Toronto



Source: CMHC. (2013). Toronto Condo Bubble. Retrieved from [www.torontocondobubble.com](http://www.torontocondobubble.com)

The polarization between shrinking vacancy rates and increase in housing cost in the city, has been increasing by a considerable margin in recent years. This data indicates that the City is in need of a comprehensive strategy to manage this type of demand for housing if Toronto is to meet its Official Plan's goals and be a livable city for all income types.

### 4.4 – Toronto's Past Attempts at Inclusionary Housing Policies

In the City's prior attempts to address the issues of providing affordable housing, Toronto has faced some serious limitations. Presently, the city administration is very conscious of the need to meet affordable housing targets; however, the context of how it plans to get there is not well fleshed out (TO Planner #1). Although there are many contributing issues as to why the city has experienced major set-backs in meeting its goals, there is a strong dispute that a major one is in policy-making. According to Drdla (2010) many of the city's current inclusionary strategies are based around incentives and are subject to loose interpretations of certain sections of the *Planning Act* (1990) which creates ineffective regulations (Drdla 2010). The policies are arguably voluntary in their design. Although some attempts have been made to place mandatory requirements on developments, many of the requirements become negotiable. There is also danger that many developments subject to these policies can be appealed to the Ontario Municipal Board (Mah 2009; TO Planner #1). Drdla (2010) maintains that having the inclusionary requirements of these policies being either subject to negotiation or litigation at the OMB has made them unproductive from a city planning perspective (Drdla 2010).

Other policies have attempted to use sections of the *Planning Act* (1990) to provide incentives to the developer. One particular benefit is density bonusing. Mah (2011) and Drdla (2010) both argue that inclusionary housing policies that are based on incentives have been unable to produce enough affordable housing for the City of Toronto. This has consequently contributed largely to the current housing crisis in the City. Therefore, Drdla argues that stronger inclusionary policy requirements are required because past programs have been ineffective for several reasons. These will be discussed in Section 5.3 of this paper. The opportunities and potential for inclusionary zoning in the context of Toronto must be discussed however, because it represents several decades of debate.

### 4.5 – Moving Towards Better Affordable Housing Strategies in Toronto

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A Toronto planning consultant says that the City has been discussing using inclusionary zoning to as a strategy to help meet its housing needs for some time. The hope by many planners and other city officials is that it can be instrumental in creating a more effective affordable housing policy. Toronto planners have requested stronger inclusionary powers from the province to help create effective policy. The City of Toronto has been committed to using inclusionary zoning and has completed past feasibility studies. Although it was published over twenty years ago, a feasibility study done by Malone Given Parsons Ltd. for the City. I support that its findings can still speak to the need for inclusionary zoning. The study's objective was to determine if there was a market demand in Toronto for inclusionary zoning. The study indicated that there is a strong desire to live within the City from the demographic (25-39 years of age); consequently, this age bracket comprises a significant portion of the City's workforce. Out of this sample 82.8 percent indicated that they would find an inclusionary ownership program that comprised of typically smaller unit sizes appealing (Toronto 1991). The study indicated that there was an interest for units that were typically less in size than most market rate units (approx. 600 – 900 square feet). These “smaller” units could be potentially supplied as “affordable” units to serve the housing demand for this demographic.

One of the most important conclusions of the study was that there was an opportunity in Toronto for inclusionary development based on a supply/demand relationship. Although the study has significant limitations being published over 25 years ago it demonstrates Toronto's past interest in inclusionary zoning. Toronto planners argue that the present day scenario is somewhat similar. City planners view inclusionary zoning as a tool that they can use to serve the diverse population of Toronto. This is because they view Toronto as a city in high demand by the working class population to live and work in that has a substantial affordable housing supply issue.

Ontario's Updated *Long Term Affordable Housing Strategy* (2016), to affordable housing advocates in Toronto, represents a welcome change attitude toward supporting affordable housing by the province. An inclusionary zoning advocate claims it has been at times a difficult uphill battle to reach this point of agreement on the issue

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between the different levels of government. A Toronto planner supports the notion that the time is right for the City to leverage this opportunity in senior government investment to support inclusionary housing. This is because it can help with existing housing strategies used by the City of Toronto such as Housing Opportunity Targets (HOT) and the Open Doors Policy. These programs are geared towards providing affordable housing for Toronto's diverse workforce and the programs evaluate rent based on income. It is thought by policy planners at the city that Inclusionary zoning can help the city meet and surpass the affordable housing targets that are set by these City run initiatives. It is felt by city planners and policy makers that inclusionary zoning can be an essential component of a sustainable housing strategy for the municipality and is necessary in order to meet and exceeds its goals (TO planner #1).

Past inclusionary strategies that rely on federal and provincial funding to produce affordable housing in Toronto have fallen drastically short of expectations (TO Planner #2). For the city this has had dire consequences for the projected housing opportunity targets set by the Affordable Housing Department. Currently, projections show that there is a shortfall in the production of affordable housing units according to the ten year target for the period of 2010-2020 (HOT targets). Based on a production target of 1,400 rental and ownership homes to be produced per year there is an approximate 60 percent shortfall projected. According to policy planners these targets are rather modest given that studies have shown the amount of households paying over the income-to-rent thresholds identified in the province's Affordable Housing Action Plan is quite high (TO Planner #1). Toronto city planners feel strongly that inclusionary zoning powers can surpass these targets by a significant margin (TO Planner #1).

Looking at the larger picture, Ontario has now made some significant headway within Canada to legislate policies that adopt inclusionary zoning. Gladki and Pomroy (2007) state that Ontario is the only province in Canada to require that municipalities set minimum targets for affordable housing; therefore, this represents a big step forward for inclusionary strategies. The Ministry of Urban Affairs and Housing feels strongly that this legislation will support long term goals and policies the province has set forth such

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as *The Growth Plan* (2006) for the Greater Golden Horseshoe. Inclusionary zoning is recognized by the province as an integral component of the *Growth Plan* and *Long Term Affordable Housing Strategy* (2016). The Ministry of Urban Affairs and Housing has high hopes it will be an effective strategy to attract the diversity and workforce housing they need to help the region grow and be competitive (ON Ministry Team Lead). The debates around effectively adopting inclusionary zoning continue between the province and Toronto. This is largely because the legislation is currently subject to a consultation phase being carried out by the province. These stakeholder consultations will determine the official regulations on how the zoning policy is to be utilized by the municipalities (TO Planner#2). Toronto City Council in the meantime will need to debate how they will leverage the opportunity based on provincial regulations that are set forth (TO AH Manager). This will ultimately impact the debates surrounding how the city will implement the inclusionary powers that are to be granted by the province.

### **5.0 – Key Debates Concerning Toronto Adopting an Inclusionary Zoning Policy**

This section will discuss some broad economic and land-use planning debate that surround inclusionary zoning. Specific investigations will be made on the context in Toronto and will evaluate Toronto policies and political influences.

#### **5.1 – The Consequences of a Mandatory Inclusionary Zoning Policy**

Stronger inclusionary zoning powers will have a significant impact on the characteristics of future inclusionary zoning policies. One major characteristic that will be influenced is a policy's ability to enforce requirements (Gladki & Pomeroy 2007). A Toronto affordable housing manager states it is important that policy makers in Toronto evaluate this component of future policy carefully (TO AH Manager). Given the mixed levels success in the past with policies that have not been supported by inclusionary zoning, debates are emerging presently concerning how successful the adoption of a mandatory affordable housing policy will be. Affordable housing advocates and experts that support inclusionary policies in Toronto feel that it is important that developers looking to build in Toronto be subject to a mandatory program (TO AH Manager). Brunick's (2004) research indicates that ultimately mandatory inclusionary

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programs are the most effective; therefore, from an affordable housing advocate's perspective these policies represent the best course of action. There is no immediate fear felt by policy-makers and affordable housing experts in the City that developers will choose not to build in Toronto being if they are subject to a mandatory guideline. They remain hopeful that even with the additional requirements; the future development sector in the City can continue to be strong. Though there is an optimistic outlook by the City, mandatory policies that place requirements on development are not without their criticism. This is where the heart of the debates live currently, many of them contextualized around the potential effects of Toronto imposing mandatory inclusionary requirements on developers.

Some feel that mandatory programs are the best course of action because there are many influences on developers when it comes to building affordable housing. Drdla (1999) outlines certain concerns which may indicate why developers may not choose to build affordable housing in a voluntary inclusionary framework. These include: marketing problems for the market-rate units, administrative burdens and the affordable units being riskier to profits and to manage. These are clearly big concerns for a developer and given the choice not to pursue an inclusionary component to their development, the most economically sound choice would be not to. These debates support the need for implementing a mandatory program in the City, since voluntary programs that rely entirely on incentives, have not proven to be fruitful in producing affordable housing in the city (Mah 2011). The argument Mah (2011) makes is that in the absence of mandatory inclusionary zoning Toronto has been ineffective with negotiable incentive-based strategies. This argument is made apparent by the City's shortage of affordable housing stock.

Mandatory requirements for affordable housing are mitigated, in many cases, with offsets that work to alleviate the cost of providing affordable units (Gladki & Pomeroy 2007). This indicates that Toronto's forthcoming policies should be able to provide financial incentives to the developer in order to help them offset the costs of the affordable units. Presently, the federal government is promising to provide subsidy so that municipalities find ways to fund and support inclusionary developments in future

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policies (TO AH Manager). However, past experience indicates that federal funding can oftentimes be unpredictable. This federal funding is also expected maintain and support existing social housing programs in the City; however, at the present time it is unclear how much will be allocated to support possible inclusionary zoning programs. Therefore, a mandatory policy *must* include a list of benefits to the developer that the City can supply. Toronto can use other legislative planning mechanisms within its immediate power to help subsidize these costs. The most obvious and often most popular one to utilize is density bonusing. A Toronto planner claims that the economic climate is robust enough in Toronto to allow developers to benefit financially by adding extra units to a development when subject to a mandatory inclusionary policy (TO Planner #2). For the developer “money talks”, therefore, any financial benefits that the city can provide to the developer are key in continuing to support a strong development sector. Other benefits such as “fast-tracking” development approvals can save the developer’s time by shrinking project window timeframes significantly (Gladki & Pomeroy 2007). A Toronto Developer argues that a faster approvals process is appealing to developers, since it will ultimately save them money and allow them to see their profits much sooner (TO Developer).

A Toronto affordable housing manager states mandatory policy can also directly tax the developer in another way through using opt-out mechanisms, such as cash in-lieu which sees money go into trust funds to the municipality instead of providing the affordable units directly. It is strongly felt that the forthcoming regulations from the government will discourage this practice (TO AH Manager). The main argument is that it will be ineffective in creating the needed supply of affordable housing. This is because it is felt by City of Toronto’s Affordable Housing Department that developers more often than not will choose to take the opt-out option rather than deal with the uncertainty of having below market rate units. In some cases, the money can go into affordable housing trust funds with the hope it will eventually fund the purpose it was supposed to; however, the province wishes to move in a different direction at present (ON Ministry Team Lead). The forthcoming municipal regulations are expected to reflect the government’s desire to place the obligation to provide inclusionary units primarily on the developers.



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This notion is shared by Toronto city officials who wish leverage the strong economy to support the ideology of producing the affordable units as a “cost of doing business” (TO AH Manager). From the perspective of affordable housing advocates and planners, there is an apparent consensus that the most effective move forward will be to provide a mandatory program for developers in the city. Now that the City will have the legislative powers to impose inclusionary zoning the consensus amongst city staff is that its future policy should impose strict mandatory requirements; however, it should be mutually beneficial to all stakeholders in the development process. This thought process is supported by the Ministry of Urban Affairs and Housing who are developing the regulations at present that will support effective development under this regime (ON Ministry Team Lead). It is important that the forthcoming regulations are effectively implemented, as inclusionary policies carry with them economic consequences.

### **5.2 – The Economics of Inclusionary Zoning**

A city's economic development can be influenced by a variety of forces, which are an important consideration for inclusionary zoning as it operates under specific economic constraints (LU Economist). For inclusionary zoning to be successful, it requires that there be a significant and sustained level of market-rate development occurring within an urban environment (Williams *et al* 2016). A land use economist states the economic condition must operate in conjunction with appropriate municipal policies in order to produce affordable housing. This is a consequence of urban development itself, being subject array of conditions that must be ideal in order to support inclusionary housing. Williams *et al* (2016) suggest some notable conditions that include: policies, market-feasibility and land value. Inclusionary zoning policies will impact the market and the land value when the appropriate zoning and density requirements are put in place (Williams *et al* 2016).

In a rudimentary sense the market-feasibility for an inclusionary zoning is determined by a policy's ability to effectively enforce the production of affordable housing (Williams *et al* 2016). This can be characterized through a supply and demand relationship. In the real estate market, high demand with a limited supply and can

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cause housing prices to increase. This is indicative of the current state in the City of Toronto. The major economic goal of an inclusionary zoning policy is to leverage new market-rate developments in a strong and robust economy to produce new workforce housing units; with the “workforce” classified as low-to-moderate income earners.” (Williams *et al* 2016; Powell & Stringham 2005). Currently, Toronto is attempting to utilize the market to achieve a significant level of development that supports affordable housing by adopting a forthcoming mandatory inclusionary housing policy.

### **5.2.1 – Potential Economic Impacts of Toronto's Forthcoming Inclusionary Zoning Policy**

A Toronto policy planner states that the City is looking to leverage its strong housing market to create affordable units through a comprehensive policy that mandates inclusionary zoning. Currently, Toronto planners maintain that the economic conditions in the City are favourable to support such a policy (TO Planner #1). Vacancy rates are extremely low and demand for space in the City is so high so the market is very attractive for developers who want to build (TO Developer). With these economic conditions in place there is strong support for a properly designed policy to work and be effective (TO AH Manger). The effectiveness of an inclusionary zoning policy depends both on how well it balances the types of development incentives with respect to the market strength and on the types of developments it wishes to pursue (Williams *et al* 2016). These are very important considerations that must be made by both the city and the province when looking to the development sector to provide affordable housing.

A Toronto Planner says that an inclusionary policy is currently awaiting review in by Toronto City Council in anticipation of the additional regulations to be laid out by the province in the coming months (TO Planner #1). There is strong indication that the policy will look to take full advantage of the strong Toronto-based housing market to help offset the cost to developers for the inclusionary units (TO Planner #1). A City of Toronto affordable housing manager says that in the midst of a strong market however, unless the market-rate units are able to sell for a certain amount to subsidize the below market units, an effective policy needs to include development incentives to help offset the cost (TO AH Manger). Even within Toronto's robust real-estate market it would be far

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too optimistic to assume that the value could be re-captured by the market units alone; therefore, the City must include a variety of choices in the form of development incentives. Effective incentives are known to come in the form of density bonuses, direct subsidy and certain tax or development charge waivers (TO AH Manger; Williams *et al* 2016). At present, Toronto's Affordable Housing Department is in anticipation of direct subsidy to come forth from its senior levels of government to assist with affordable housing policies. The funding could potentially help the city with developing future inclusionary policies; however, at the time of the research the allocation of funding is uncertain. This added funding can to assist with an inclusionary policy by helping offset development cost so that the City can continue to attract developers to build (TO AH Manger). However, at this time more detail on where the funding will be allocated is required. Many city personnel are optimistic is that these incentives will serve as an integral component of an effective and sustainable housing policy. Ultimately, city planners are optimistic that a mandatory policy will drive the production of affordable units in the City.

### **5.2.2 – The “Tax” on Inclusionary Developments?**

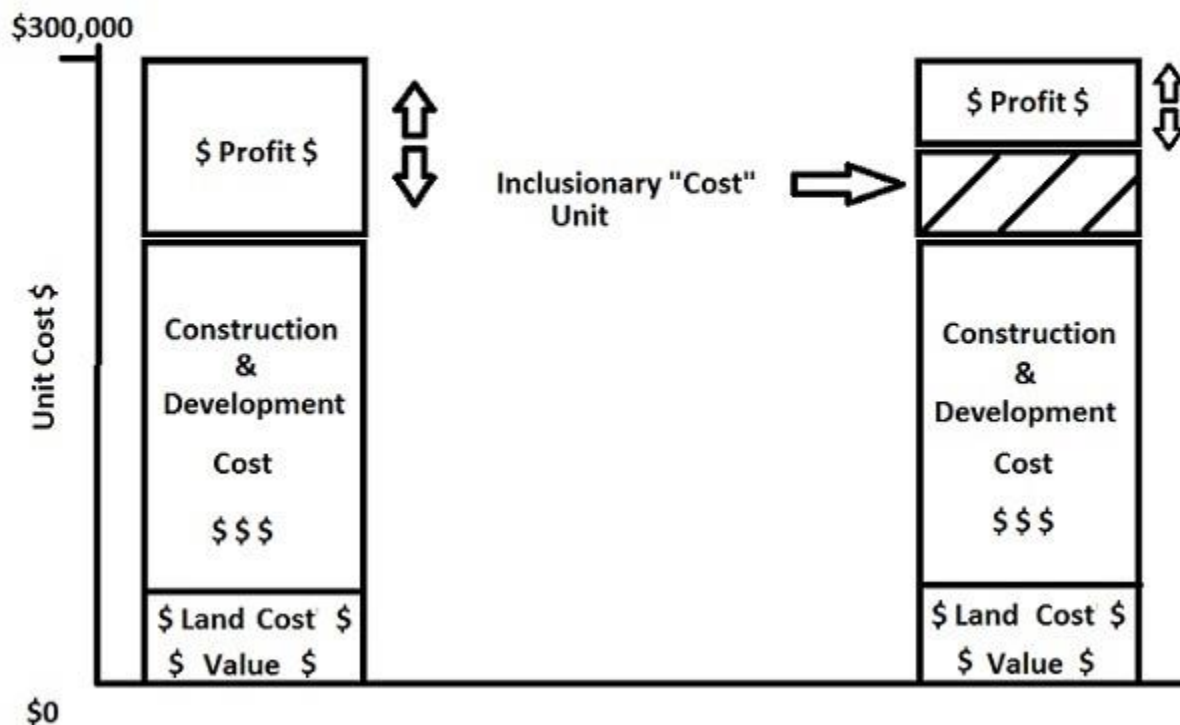
Inclusionary zoning utilizes the free market to produce affordable housing to people who cannot afford housing in the current economic climate (Williams *et al* 2016; Merriam *et al* 1985). To capitalists, inclusionary zoning is considered a cost or “tax” that will impact profits. Municipal governments must then devise strategies to address this cost to the developer. Even with the anticipated assistance from the senior government a sustainable inclusionary zoning policy cannot depend upon this funding alone; therefore, planners and affordable housing experts believe that density bonuses utilizing Section 37 of the Ontario *Planning Act* (1990) can be to be a fundamental part of a future strategy (TO AH Manger). This will allow the city to enforce exactions for affordable housing while at the same time mitigating cost to the development sector. While tax incentives and development charge waivers are attractive, these will most likely not comprise as significant of a component to the forthcoming housing strategy (TO AH Manger). A City of Toronto Affordable Housing Manager believes that other types of “cash in-lieu” opt out options at present time will not be the direction the

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province and consequently the City will pursue for inclusionary development (TO AH Manager). This means that there must be consideration on the part of the City to assess who is paying the price for producing affordable units. Will it be the City, the developer or the market-rate unit consumer? This question hinges largely on what type of regulations will be put forth.

A Toronto planner states that the policy should be designed in a manner that will as best as possible minimize the impact on the economic development of the city and should take into account who is paying the "tax" on the inclusionary development (TO planner #1). The following model was presented by a City of Toronto affordable housing Manager and summarizes a similar model presented in the ULI report by Williams *et al* (2016). This model was adopted largely from a conversation between myself and the Affordable Housing Manager.

Figure 9: How Inclusionary Zoning Requirements Can Impact a Developer's Profits



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This adopted model will most likely represent the present scenario in Toronto where developer's profits will be impacted through the added costs of supplying below market units. The example suggests that a market-rate unit being sold in a building that has been zoned for inclusionary units, which is selling for \$300,000 will produce different profit margins when compared to a development without inclusionary requirements. In order for the developer to maintain the same profit margin on the inclusionary development then the unit will have to sell for a higher price. This example demonstrates one case of how the cost of providing affordable units can be passed on to the market-rate unit consumer.

What this model indicates is two items: that mandatory inclusionary requirements impact a developer's profits and these requirements present serious consequences on the developer's ability to pay full price for the development and the land (Williams *et al* 2016; Powell and Stringham 2005; TO AH Manger). Another potential scenario is: if the developer is unable to pay full price for the land. With the imposed costs of below market-rate units and being unable to sell the market-rate unit for more to offset the cost, the cost can fall back on to who is selling the land. A Toronto planner supports that this scenario can have a negative impact on land values in the city (TO Planner #2). Clayton and Schwartz (2016) believe that many factors can contribute to the developer not being able to pay full price for the land such as: low flexibility and high regulations from mandatory inclusionary requirements along with volatile market conditions. These present serious economic consequences for the City of Toronto if it is to adopt a rigid mandatory inclusionary policy that does not allow for the developer to offset imposed inclusionary costs effectively.

Ultimately, a Toronto planner believes that the best scenario is to have the inclusionary costs reabsorbed into the land value. Therefore, the negative impact caused by the cost for inclusionary units can be mitigated by a rise in land value if the market remains strong. In Toronto, the economic situation can support this scenario if the City's land values continue to rise (TO Planner#1). Toronto's Affordable Housing Department agrees that this scenario can be a likely one; however, from a developer's perspective it is strongly thought that the cost differential caused by the affordability

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requirements will be directly carried on to the market rate consumer (TO Developer). With the cost carried over in this manner the market-rate units consequently will become more expensive. Powell and Stringham (2005) strongly support that inclusionary regulations will ultimately impact the price and supply of market-rate units in a development. The potential impact that the required affordable units have on price and supply is reinforced by a Toronto developer.

This can be problematic for a city such as Toronto that wants to place affordable housing requirements onto the developers to produce its supply. It is argued by many developers and academic skeptics of inclusionary zoning that will increase the cost of the market units and increase the overall demand for housing (Vandall 2003; Powell & Stringham 2005; Clayton & Schwartz 2016). This negates any potential benefits on the housing market and affordable housing supply that are proposed by an inclusionary policy. This is indicated by the model that Powell and Stringham (2005) use to describe the effects that inclusionary zoning has on housing supply. Their argument is that the “tax” of the inclusionary units reduces the supply of housing that is a result of decreased demand on the market-rate units due to higher pricing. This debate perpetuated by capitalist notions that claim inclusionary zoning has a negative impact on the overall supply and demand in the housing market. Therefore, it is important for a large city that is designing and implementing an inclusionary policy, to consider these potential effects on their housing supply.

### **5.2.3 Inclusionary Zoning – Adding “Value” to the Urban Environment**

A Toronto planner claims if the costs of inclusionary zoning impact land value negatively in the City, the consequences can be manageable (TO Planner #2). Toronto has less undeveloped space when compared to other municipalities in its region; therefore, supply is limited by its municipal borders. Land availability and cost along with market feasibility are the two primary factors that will support effective inclusionary developments (Williams *et al* 2016). In Toronto's case having lower land values and limited development space will impede development as the market is robust enough to buffer any short term effects (TO Planner#2). Lower land values that are caused by an inclusionary policy in Toronto are not foreseen to present an issue to sustainable

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economic development in the City since the Toronto has opportunities to utilize this existing space by increasing density as a tradeoff to developers.

It is argued that the planning process can sustain land value fluctuations and avoid potential increases in housing market costs when a city is implementing an inclusionary zoning regime. Calivata and Mallach (2009) argue that if a city's planning process advocates for "upzoning" in urban renewal projects the potential negative side effects can be mitigated. This is achieved through neighborhood redevelopment processes and could be applied to the redevelopment areas in Toronto that wish to incorporate affordable housing. This process when performed under the right conditions, will characterize inclusionary housing as an asset that is essential to promote an increase in density (Calivata & Mallach 2009). This indicates two potential facts: first, that effective planning can help recapture land value for inclusionary developments, and second, there is strong potential in Toronto because there are many opportunities to increase density in the City. A Toronto planner states that Toronto is typically "underzoned" when compared to other large North American cities such as New York (TO Planner #2). Therefore, they feel that there is a lot of potential for density increase in specific neighborhoods of the city. The upzoning process discussed by Calivata and Mallach (2009) can be applicable if these areas are in need of more affordable housing. Thus, the planning process in Toronto can utilize this "upzoning" potential to support more resilient land values in the city. Calviata and Mallach's (2009) concept is supported by another policy planner at the city who believes that this value will be created by an increase in social opportunity. It should be noted however, that this planning concept was evaluated using other cities as a case study. Whether this process can be effectively used to benefit a city like Toronto will need to be investigated further under stricter inclusionary regulations.

The debates supporting inclusionary zoning bringing value to land and development helps discount notions of affordable housing developments possessing little to no value when compared to non-inclusionary market-rate developments. A Toronto planner feels that these notions are an imposed false negative by profit-driven development companies. City of Toronto planners continue to argue that an

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inclusionary development still has strong value despite negative capitalist perceptions (TO Planner #1). This value should be perceived through an inclusionary development's potential to serve and support the economic viability of a neighborhood. The economic benefits come from the inclusionary nature of the development itself because it supports social integration. From a city planning perspective, this integration brings a huge benefit to economic development for a couple of reasons. First, it will support housing for the working class, and these people represent a huge resource for many businesses. Second, it will more opportunity different businesses to invest in a more diverse and integrated community. Arguments such as these that support inclusionary zoning indicate a need for the attitudes and overall perception on inclusionary developments to change. A change in perspective on this affordable housing strategy can prove to be beneficial to a large and diverse city such as Toronto. This represents one of the more crucial debates currently occurring between city planners and inclusionary housing sceptics.

Planners and affordable housing advocates support the notion that the ability to supply housing to low-to-moderate incomes earners should be perceived as an asset to cities economic stability. Their shared perception that a forthcoming inclusionary policy will not inhibit the strong growth of its economy supports arguments that a policy should be implemented (TO Planner #2). A Toronto city planner argues that the very low vacancy rates and high demand for housing two very significant factors that will mitigate any potential negative impact on land or economic value (TO Planner #2). It is important that the many stakeholders within the City and its region perceive an inclusionary zoning policy as an opportunity rather than an economic burden (ON Ministry Team Lead). Approaching inclusionary development in this manner will allow Toronto and other regional municipalities the opportunity to discover new strategies that can offset potential costs to land owners and developers. Policy planners perceive there to be a wide array of strategies and approaches they can use towards mandatory inclusionary developments in Toronto's vibrant development sector (TO Planner #2). These strategies and their potential benefits will largely be subject to the forthcoming provincial regulations and the municipality's commitment to building a workable policy.



### **5.2.4 – Impact of Population Growth and the Housing Market on Inclusionary Zoning in Toronto**

Toronto is a city that needs to continue to grow and attract a diverse population. As it pertains to Toronto planning policy incorporating inclusionary zoning, census growth rates are strong indicators of how successful it can be in producing affordable units (Canada 2011; TO Planner #1). The Canadian census data provided by Statistics Canada (2011) suggest a strong and sustained projected growth rate for both Toronto and the surrounding Greater Golden Horseshoe region. From a simple supply and demand analysis one can infer whether or not Toronto can support a sustainable inclusionary zoning program. The vacancy rates within the city for both rental and ownership units are extremely low. With rental vacancy rates being close to 1% this is a strong indicator of the extremely high demand for housing in Toronto (Canadian Mortgage and Housing Corporation 2017). This indicates that there should be a strong consideration by the City to evaluate how much the housing market can be over-leveraged. The future policy being developed by city council must take into consideration how much equity is being taken out by the below market units because of steep real estate prices. This is because there is an ongoing concern regarding potential “housing bubble”. A Toronto Housing Manager warns if the economic climate changes within the city, such as, the real estate market cooling off then inclusionary housing developments most likely will not be built (TO AH Manager). Therefore, in order to unfold a successful policy it must make some critical assumptions consider future growth trends and the housing market in the City.

### **5.2.4 – The Socio-Economic “Value” of Inclusionary Policies**

A Toronto planner claims that with housing prices continuing to rise there is a desire to use inclusionary zoning to add value to the development by providing an increase in accessibility to a wide range of income earners (TO Planner #1). Resources tend to go where the money is; therefore, developments that attract a high income demographic will have better access to resources because the money will be there to support them. Advocates of inclusionary zoning claim that this will add a high level of social value; this is because it can help support the goals and the potential economic

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benefits of a socially inclusive city. Polèse and Stren (2000) present a solid case that socially inclusive cities are sustainable cities. In their publication *The Social Sustainability of Cities*, Frisken *et al* advocate strongly for Toronto's past commitment to inclusion throughout its history. With inclusion as part of the City's DNA stronger inclusionary powers can better support its official plan and help Toronto avoid the negative conditions of exclusion that have damaged other urban areas.

An urban land use economist states that strong economies can support inclusionary zoning because it is a strategy that relies on continual development (LU Economist). Many Ontario municipalities like Toronto have very strong development sectors; therefore, the province has policies in place such as the *Growth Plan* to ensure that their economies remain robust. Income mix is an important facet in the overall sustainable development strategy for municipalities in the Greater Golden Horseshoe region. A policy team leader in the Ministry of Urban Affairs and Housing states that social equity is essential to the province's *Growth Plan* strategy. This is because it will ensure that the benefits of development are distributed fairly across the region (ON Ministry Team Lead). A Toronto policy planner supports income mix as a key component of planning for social and economic sustainability because it can correct negative aspects that are imposed on development by the market. Developments that attract the wealthy will generally have greater access to the benefits and resources of the urban environment by having the money to attract them (TO planner #1). Inclusionary zoning can help alleviate disparity in urban areas caused by the market and will support a stronger democratic urban landscape. This notion has support in Merriam *et al* (1985) publication *Inclusionary Zoning Moves Downtown*. This has implications for land-use planning because planning urban areas to be inclusive will enable them to support a strong economy (Davidoff & Davidoff 1970). Inclusionary zoning will support planning in the Greater Golden Horseshoe to be socially inclusive. Therefore, municipalities in this region should adopt an inclusionary housing strategy because it can support the needs of a large range of people and create diverse, sustainable communities.

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Davidoff's argument to support inclusion in the planning process has economic consequences. The socio-economic impacts of inclusion may not be directly seen in a development proforma or in the price tag of a parcel of land, however, they still exist. The social value component of inclusionary urban developments should not be under rated when advocating for the benefits of inclusion. A Toronto policy planner states that inclusionary zoning helps planners build and reinforce the soft infrastructure of community development. Supporting the soft infrastructure helps to construct more complete and sustainable urban areas (TO Planner #1).

The province's decision to bring inclusionary zoning to Ontario will support sustained economic development for its large cities such as Toronto because it is a planning strategy that supports diversity. Allowing for diversity ultimately delivers better opportunity for investment in the economy because it can support a broader range of businesses. A Toronto planner indicates that this has strong consequences for a city like Toronto because it can allow the city to invest in a variety of businesses and people. By supporting diversity, the Toronto can help increase the opportunities for a diverse range of businesses to invest in the City's economy (TO Planner #1). Having a greater opportunity to invest is a key goal for the City's planning and economic development divisions because a large mix of businesses brings many potential benefits to a metropolis that is competing on the global scale. A policy developer at the Ministry of Urban Affairs and Housing strongly supports that inclusionary zoning powers will allow Toronto and its region to support a diverse workforce and find new avenues to where it can invest and create stronger and more sustainable global partnerships (ON Ministry Team Lead). As an integral part of the *Long Term Affordable Housing Strategy* (2016) that seeks to produce a sustainable supply of housing, inclusionary zoning demonstrates a lot of potential. The province is extremely supportive of inclusionary zoning's long-term benefits to social sustainability and economic growth.

### **5.2.5 Long-Term Economic Benefits of Inclusionary Zoning in Toronto and its Region?**

The long term economic benefits of inclusionary practices may not be adequately considered by developers and other critics who focus on more short-term bottom lines. From a local planning perspective however, inclusionary zoning can have

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a strong public value because it supports socially sustainable communities. The province believes that the financial benefits will be seen in the decades to come as its *Growth Plan* (2006) directs the growth in Greater Golden Horseshoe region. Communities that support inclusion can offer financial benefits to a city through mitigating the costs of providing services to its residents, since they can budget for a more concentrated set of services. Segregated communities require services to be more sparsely allocated as opposed to integrated one.

The allocation of resources will have significant long-term social and financial impacts on a city. Inclusive communities can support appropriate population densities that central cities such as Toronto require in order to further invest in urban services, such as, public transportation and community centers. This will add a long-term budgetary value to the city and its region because inclusionary zoning can be supportive of high density developments and vice versa. Therefore, inclusionary zoning is representative of sound planning principles and will ultimately support sustainable developments if it can be put into policy effectively.

This will assist a municipality such as Toronto in its future development endeavors to provide for affordable housing. The ability to enforce inclusionary development delivers a huge opportunity for this municipality to create an effective inclusionary policy. One argument supporting this is that Toronto needs to continue intensify in certain areas. Increasing density is important for the city to both provided services and for these services to function effectively. Therefore, enforcing and inclusionary policy that supports density increases can benefit the city twofold: provide affordable units at the appropriate densities. Inclusionary zoning can help the city recover from its past struggles in attempts to create affordable housing policies using density bonusing incentives.

### **5.3 – Section 37: The Density Bonusing Debate**

Currently, the inclusionary housing policies that planners and councilors utilize in Toronto are modeled towards an incentive-based approach which largely use density bonusing (Mah 2011; TO Planner 2). In Ontario, the density bonusing is authorized

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through Section 37 of the *Planning Act* (1990) which permits an increase in height or density in return for community benefits which can include parks or community centers. Therefore, municipalities in Ontario are enabled through Section 37 to negotiate the production of affordable housing as a community benefit with developers. To make this possible the municipality's official plan first must have a policy in place to enable affordable housing to be defined as a community-benefit exaction (Ontario 1990). In Toronto's case, its Official Plan contains a section that allows the City to pass zoning by-laws which authorize an increase in height and density of a development in exchange for community benefits. One of the community benefits that can be exacted is affordable rental housing (Toronto Official Plan, section 5.1.1).

### **5.3.1 – Have Past Policies That Utilize Density Bonusing to Secure Affordable Housing Been Effective in Toronto?**

According to Gladki and Pomeroy (2007) Toronto's current affordable housing policies are voluntary, since they are characteristically structured around the incentives provided by Section 37. However, incentive-based policies have had a direct consequence on the City's successes in meeting its affordable housing targets. These policies place developments subject to requiring affordable housing in a context that is heavily subject to local politics and negotiation. Political influences can at times strongly impact inclusionary policies in Toronto as they are dependent on agreements made between city councilors and developers (Mah 2011; TO Planner #2). Mah (2011) implicates that traditionally Toronto city councilors have strayed from strongly enforcing the set-asides for affordable housing when negotiating benefits provided through Section 37. There are several reasons that her publication provides, which include: councilors not wanting to impose so many restrictions on developers who are going to build in their constituency, and/or fear of the development being appealed to the Ontario Municipal Board.

One objective of her study was to investigate how local politics in Canada influence inclusionary housing, Mah (2011) indicated that the neighborhoods of the City outside the core are often neglected. She indicates that some of these areas are in desperate need of more affordable housing and existing policies to date have allowed

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very few affordable housing units to be created. In fact her study indicates how unsuccessful Section 37 agreements have been, stating that at the time of the study that only 18 percent of total development agreements have mentioned affordable housing. This indicates that existing incentive-based policies have put Toronto at a serious disadvantage in being able to leverage its position to create affordable units.

A Toronto planner indicates while incentive-based voluntary policies have had some successes for the City's downtown core. The City was able to provide affordable units at City Place Developments on Queens Wharf Road and for 200 Madison Avenue through the partnerships created by the City's Open Doors Program. Toronto City Council has also been able secure affordable housing for new developments on the Sherbourne Common utilizing provisions from the Waterfront Secondary Plan (TO Planner #2). Toronto's Waterfront Secondary Plan requires that 20 percent of new units be affordable (Toronto 2003). Unfortunately, despite these small victories, for the City as a whole these policies have proven to be ineffective more often than not. Toronto is a good example of how municipalities in Ontario succumb to the disadvantage of lacking the power to impose mandatory inclusionary housing policies on all developments. Toronto's Large Sites Policy however, is one such attempt by the city to create a formal policy to mandate affordable housing creation for residential developments of five hectares or greater. This policy uses Section 37 and states that: "when an increase in height or density is being sought, the first priority benefit will be affordable housing based and requires that 20-30 percent of the additional units being created be as such" (City of Toronto Official Plan, section 3.2.1). While the city has attempted to apply the policy to a number of large residential sites Mah (2011) indicates it has been largely unsuccessful in the overall creation of affordable housing.

The lack of success she indicates has impacted Toronto's ability to meet affordable housing quotas and draws with it serious social consequences. Her claim is that the lack of success is due in part to the policy being subject to political influence and competing with alternative City Council priorities. Gladki and Pomeroy (2007) provide another indication to why affordable housing often gets negotiated out of development agreements in that it is due to a lack of clarity in the provincial legislation

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on what the community services are to be. Mah (2011) reinforces that the lack of provincial support towards mandatory inclusionary policy has contributed to the ineffectiveness of policies like Toronto's Large Sites Policy. Another good example is the failure of the city of Burlington to provide inclusionary units in the Reemark vs. City of Burlington Ontario Municipal Board case (Greene 1991). This case is also indicative of this lack of support from legislation.

Gladki and Pomeroy (2007) suggest that province could strengthen the municipalities' ability to create affordable housing policies using Section 37 if affordable housing was clearly outlined as a benefit to the community. There have been some including Clayton and Schwartz (2015) who have advocated for province to do this. Their position is motivated by a strong commitment to using Section 37 as a primary public exactions mechanism to produce affordable housing. However, the City of Toronto statement to the province in late 2016 reaffirms the municipality's strong belief in that affordable housing should not be categorized as a "community benefit" but rather a distinct issue in and of itself given the City's current housing crisis (City of Toronto 2016).

While being an important part of planning in Ontario, Section 37 brings with it serious disadvantages for municipalities attempting to secure affordable housing through public exactions. However, it is thought by some individuals who are motivated by land-use economics to have great potential, their stance is that this potential has been severely under-actualized. Conversely, there are many that feel inclusionary zoning is a much stronger and more sustainable tool to produce affordable housing. Many of these are planners who feel Section 37 is an important part of the planning process and to support this process an effective cross-utilization of Section 37 and inclusionary zoning will help build more sustainable communities.

### **5.3.2 – Should Section 37 and Inclusionary Zoning be Applied to the Same Development?**

As it exists in its current form, Section 37 provides municipalities very limited ability to produce effective inclusionary policies. However, there are some land-use

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economists who argue against the implementation of further inclusionary powers in Ontario. Their claim is that Section 37 represents the correct mechanism to provide municipalities with the power that they need to meet their housing targets. To justify their position, some argue that there no need for further pursue legislation to extensively amend the *Planning Act* (1990). Clayton and Swartz (2015) argue that a simple reworking of Section 37 to clearly define affordable housing as a community benefit would suffice. They suggest that mandatory policies would impact the development sector in a negative way and that voluntary inclusionary housing strategies could be more effective if they were designed better by the municipality. Their reasoning is that, if policies have enough benefits and provide enough incentive for developers to build, then refined policies could produce the affordable units needed in a city such as Toronto. This reasoning indicates that using inclusionary zoning would be ineffective as it would present a duplication of efforts (Clayton & Schwartz 2015; LU Economist).

Public and independent affordable housing experts both seriously consider this to be a mis-step in creating a socially diverse and sustainable city (AH Expert, TO AH Manager). Toronto's Affordable Housing Department has recently countered this particular argument through a series of recommendations released to the province in late 2016. This response to the province clearly advocates for the implementation of inclusionary zoning as a component of the Promoting Affordable Housing Act (2016). The City argues that: inclusionary zoning will enable successful policies that can leverage the growth in Toronto's housing market to create more affordable housing (City of Toronto 2016 p.1). As part of these recommendations, there is a strong affirmation that the City must have the ability to apply Section 37 to inclusionary developments. The justification is that both mechanisms are necessary in order to support sustainable community development in Toronto. City officials claim that "affordable housing should be recognized as an infrastructure investment that is vitally needed in and of itself and is the result of many factors beyond just growth" (City of Toronto 2016 p.1). The rationale is that affordable housing should be separated from the pool of community benefits that Section 37 provides and be given greater emphasis in development approvals. A City of Toronto affordable housing manager supports that such an emphasis claiming that it is important as it reflects a principal objective of the



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recommendations. This principal objective is to take the learnings from previous attempts at affordable housing policies that used Section 37 to help create a better policy (TO AH Manager). The statement to the province is motivated by the City's desire to avoid affordable housing competing with community benefits in its forthcoming mandatory inclusionary zoning policy. The City's Affordable Housing Department indicates that this will avoid the ambiguities that have caused previous incentive-based policies to be unsuccessful (TO AH Manager).

In responding to the legislation, the City reached the conclusion that it is important to take affordable housing out the negotiation process. The province's *Long Term Affordable Action* (2016) plan supports this notion stating that housing should be a right for every individual. Using past learnings as a guide the city can actively work towards this vision and avoid the challenges it has faced in the past with securing affordable housing in development applications. Having the ability to apply Section 37 in conjunction with mandatory inclusionary housing requirements on future developments will give the city two significant advantages. First, it will allow the City a much larger degree of flexibility in the process of development approvals, and second will empower the City with the tools it needs to more effectively secure affordable housing (TO AH Manager).

The Ministry of Urban Affairs and Housing is currently acting on the City's response by working on regulations that will allow the application of Section 37 and inclusionary zoning on developments to become more transparent for all stakeholders. The province has made it clear that it does not wish to see a "double dipping" of municipal benefits and affordable housing to affect future developments (ON Ministry Team Lead). The objective is to not put unrealistic impositions on developers since they wish to support their goal of keeping the development sector in the Greater Golden Horseshoe a strong and vibrant one. The most probable solution will be a percentage-based model. This model would look at the value being extracted from the development to community benefits or housing and evaluate how much value is going to what "benefit". Using the example of density bonusing the additional value created through the added density will be allocated to the various benefits based on a percentage of exactions imposed

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in the development. For example, this could take the form of 70% of the added density being used to apply to various community benefits and 30% of the negotiated increase going to providing affordable units. The province while committed to strict guidelines imposed by their forthcoming regulations wants inclusionary policies to be flexible enough so that the municipalities can use them effectively to help meet their affordable housing goals. The expectation is that enforceable inclusionary strategies will allow the Greater Golden Horseshoe growth region see strides in their affordable housing production while, at the same time, not to be too taxing on developers so that it can continue to grow.

### **6.0 – Key Debates Surrounding Inclusionary Zoning Supporting Urban Sustainability**

Amidst an emerging housing crisis, Toronto is in desperate need of securing a sustainable housing supply through utilizing an inclusionary housing policy. An effective policy is beneficial in two ways. First, it will help support the overarching goals of the *Long Term Affordable Housing Strategy* (2016), and second it will provide a sustainable supply of affordable housing for the City. Polese and Stren (2000) argue that inclusion is important to urban sustainability because it first supports social sustainability: “To achieve social sustainability, cities must reduce both the level of exclusion of marginal and/or disadvantaged groups, and the degree of social and spatial fragmentation that both encourages and relets this exclusionary pattern” (Polèse and Stren 2000, p.16) Inclusionary zoning is an important strategy that recognizes the social impact on sustainable urban development. Inclusionary zoning supports this sustainability because it works to provide affordable housing and supports inclusion for the projected population growth and future generations.

#### **6.1 – How do Sociological Influences Impact Urban Sustainability**

Dempsey *et al* (2011) argues that the sustainability debate has evolved to a great degree in recent years, from the just ecological and environmental realm to include social and economic thought. As a consequence, they discuss that “social sustainability” is becoming increasingly popular in the themes and research of the built environment. Their argument is that social sustainability is an integral component in

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understanding the overarching concepts of urban sustainability. Their publication defines urban sustainability in relation to many factors, which include: social life, economics, ecology, energy and transport. Therefore, social sustainability has an important place in urban planning since it has such a strong connection to the urban environment. This is important to their claim that the social dimension must be balanced equally in regard to the other economic and ecological influences when modeling urban sustainability.

Inclusionary zoning brings with it strong sociological implications so its place within cities and regions must be evaluated from the perspective sustainable urban development. Polese and Stren (2000) define social sustainability as: "development (and/or growth) that is compatible with harmonious evolution of civil society, fostering an environment conducive to the compatible cohabitation of culturally and socially diverse groups while at the same time encouraging social integration, with improvements in the quality of life for all segments of the population." (Polèse and Stren 2000 p. 15-16). This conceptualization social sustainability draws heavily on the concept of inclusion in the built environment and advocates for its presence. Therefore, a planning strategy like inclusionary zoning deserves consideration as a socially sustainable practice. This is because it supports the integration of social groups that comprise the low-to-moderate income bracket in urban market-rate developments.

Inclusionary zoning has important implications when it comes to growing urban regions in Canada because they depend on a strong influx of populations which comprise of socially diverse groups. Immigration being a key element to keep growth areas such as the Greater Golden Horseshoe developing, inclusionary zoning proves to be an invaluable tool that will support the regions social and cultural integration. The consequences of housing and rental prices continuing to climb at an enormous rate put this strong development region at risk of excluding the low-to-moderate income earners. This particular income bracket is important to the socio-economic character of a fast growing region. The reason being many of these income-earners are represented by different cultures and comprise a significant component of the workforce population. In order for the economy to thrive it must be able to invest in a diverse

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number of businesses; consequently, the region must be able to attract a strong and diverse workforce. Therefore, the use of inclusionary zoning becomes increasingly important when considering municipal and regional planning in the Greater Golden Horseshoe urban region.

### **7.0 – Inclusionary Zoning Supports Planning in the City of Toronto**

A highly contested question that is currently circulating amongst city planners asks how a mandatory inclusionary housing policy can support “good planning” in the City. Toronto's Official Plan emphasizes the City's place within a larger urban region and that Toronto must build in such a way that it can support the region as a central city. The Plan states: “When planning for housing in Toronto, we must look to the needs of the whole region. We have to offer a broader choice of housing type, tenure and affordability, both within Toronto and beyond” (City of Toronto Official Plan, Section 2.1). This has important implications for Toronto city planners who need to support the City's Official Plan because the Plan clearly illustrates two very important requirements. First, is the need to provide long-term affordable housing in the City, and second, the desire to continue to support a healthy growth and development sector. Inclusionary zoning can be used to contribute to the diverse array of housing needed in the City and attract a working class population to keep the regional economy moving.

The Plan also recognizes that Toronto is characteristically unique in the region as a whole stating that: “With concentrations of new immigrants, post-secondary students and seniors, Toronto has a unique social profile within the GTA, in part due to the concentration of rental, particularly subsidized rental apartments and human services” (City of Toronto Official Plan, Section 2.1). Therefore, an inclusionary zoning policy is crucial for city planning to support social sustainability in the City. This is because it will enable planners with an instrument whereby they can provide the types of housing and services to the diverse set people who make up the social dimension of the City.

Inclusionary zoning is important to Toronto because it will provide policy planners with the legislative power they need to create affordable housing policies. Ultimately, inclusionary zoning will help them support the goals of the Official Plan. Planners need

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to determine how land can be used properly in order to support a sustainable urban environment. Inclusionary zoning powers can benefit City Council because they can design more effective affordable housing policies that mandate inclusionary units. Stronger policy has the promise of stronger results. Therefore, if future inclusionary housing policies are properly implemented then the City can begin to address how it can deliver on the promises of its Official Plan.

### **7.1 – Can a Sustainable Affording Housing Policy Support the Objectives of Toronto City Planning and City Council?**

Given the importance of providing affordable housing, the planning and housing community in Toronto desperately requires that City Council approves an inclusionary housing policy once the provincial regulations are unveiled. This will make sure that the City can take full advantage of the powers of inclusionary zoning. This is important for city planning since it will support some of the fundamental requirements of the official plan and address the related objectives of City Council. Some of the overarching objectives of city departments and City Council include: the creation of a city-wide long-term affordable housing strategy. Creation of a policy with these characteristics will emulate some of the provincial goals which are to provide a sustainable housing supply (Ontario 2016). Another objective is to create a mandatory inclusionary housing policy that will serve a diverse array of demographics. A mandatory inclusionary zoning policy will support a city-wide strategy because it can be implemented in areas of the city that desperately require it. If City Planning and City Council both deem that affordable housing is needed in a given neighborhood then they can enforce it to be built without appeal from the developer. This will help achieve the last of these objectives which is to provide a social and economic structure that can house a productive workforce population. An inclusionary zoning policy that can affect all areas of the city will ensure that the much-required affordable housing is being designed for this important income bracket.

A Toronto planner believes that by integrating these related objectives a future housing policy will serve to achieve many other goals for the city. These include: to add value to the existing housing market, integrate low income earners into the city in

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socially sustainable way, remain competitive in the North American housing market, support a strong labour force and to provide public benefits through better access to schools, transit, hospitals, etc. Toronto's many administrative departments are optimistic an inclusionary zoning policy can help deliver on these hopes once proper regulations are in place. These benefits will ultimately impact the City's socio-economic sustainability in a profound way. It is felt by planners and other city officials that this should be a major consideration as council seeks to leverage its position in supporting the goals of the Official Plan using inclusionary powers (TO Planner #1). The City will need to create a policy that will work to help meet its goals of inclusion while at the same time not compromising its strong development sector.

This criteria is consistent with the provinces overall vision for the municipalities governed by the *Growth Plan* (2006). The Ministry of Urban Affairs and Housing wish this to be a sustainable strategy for these municipalities. The Ministry's desire is to create a sustainable regulatory base around inclusionary zoning. A central goal of these regulations will be to develop them to work with *all* stakeholders. The goal is to be inclusive in the policy-making too. By not discrediting any one stakeholder in the creation process, including the developers, the regulations will support the policy objectives better (ON Ministry Team Lead). With the province having such a strong investment in the process, means that a municipality such as Toronto must consider its future affordable housing plans closely.

Policy planners at the City indicate that there will need to be a strong evaluation by City Council based on feasibility margins considering that inclusionary zoning has potential economic impacts (TO Planner #1). This is because there are already designated development sites within the city that are in desperate need of developers to invest in. The City needs to continue to attract developers in order to meet the provincial growth demands; therefore, the policy should not try to undermine the potential supply of housing in these developments with too many regulations. It is also recommended by policy planners that City Council should consider that a policy once implemented will make sure there is not too much "taking" from these potential residential development sites (TO Planner #1). The reason for this is because any future

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housing policy that wishes to use inclusionary housing will need to seriously consider the development industry as a major stakeholder. This because it will prove to be unsuccessful for the City, since it can potentially lower interest from the development sector to build in the City's limits. A Toronto developer strongly supports these cautions as they must protect the profitability of existing and future developments in the City (TO Developer). The province appears to identify with the importance of supporting the development industry and is a central reason they are being considered heavily in the consultation phase for inclusionary zoning regulations (ON Ministry Team Lead).

Another important consideration by planners is that the policy should have the ability to affect the polarized communities within the City. This is because these are the neighborhoods that can benefit to a significant degree from inclusionary practices (TO Planner #1). Gentrification of older neighborhoods is important to keep the City growing in a contemporary context. Toronto planners suggest that it should be able to target these redevelopment sites to make sure that the low-to-moderate income earners are not displaced by forces of gentrification. Currently, the City is redeveloping areas around Regent Park, which has traditionally supported a lower income demographic. As new condos are being built to replace older building the city planners are tasked with the need to provide housing services for the low-to-moderate income earners. By rezoning older urban areas to adopt inclusionary housing through neighborhood redevelopment will provide the City with opportunities to achieve the goals of inclusion set forth by the Official Plan. These goals being to offer "opportunities for people of all means to be affordably housed", and "housing choices are available for all people in their communities at all stages of their lives" (Toronto Official Plan, Section 2). Using inclusionary zoning to supporting the Plan's directives can reverse effects of social polarization in communities as the city gentrifies its less modern areas. If this ability to use inclusionary zoning for this reason is not leveraged then Toronto runs the risk of falling into the issues of social segregation and exclusion that other cities in North America have faced in the past.

### **7.2 – What Implications Does Inclusionary Zoning Have to Land-Use Planning in Toronto?**

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The use of inclusionary zoning to influence the social fabric of an urban environment brings an important ideological question to Toronto land-use planning. Planning ultimately advises uses of land and doesn't discriminate or dictate where people go in principal. Income groups become identified by inclusionary zoning and planning policy must be sure that it is aware of this as it seeks to target certain individuals. These individuals are the people who make up the low-to-moderate income bracket. Inclusionary zoning policies create a land-use planning regime that plans towards the user and not necessarily the use. Zoning has been used in the past to segregate social and racial classes in certain US cities. While many, including Frisken *et al* (2004) are strong advocates of Toronto's past ability to be socially and racially inclusive, a shift in land-use planning shouldn't impact this characteristic of the city. Policy planners still caution; however, that a change in approach focusing on user rather than the use has potential influences and should be an important consideration for City Council when creating inclusionary zoning policy (TO planner #1). Although planning traditionally considers uses, perhaps there is a need for planning to continue to evolve in order to support effective future policies; so long as it keeps democratic principles at heart.

Implementing an inclusionary policy in the City draws some big questions that concern the social structure of the City. The overall objectives of the policy must be to support inclusion for the entire city questions whether a city-wide policy be created or should sub-policies be tailored to consider certain areas of the city? One city planner suggests that sub-policies may work better that target specific areas of the city as they can fall on a spectrum that considers what the best set asides percentages should be for that area. This could be a beneficial approach as policies could be made to specifically target the needs of areas governed by secondary plans such as the Waterfront Secondary Plan. Policy planners at the city think that a mandatory policy for Toronto may require amending existing zoning by-laws. These planners question whether to implement inclusionary zoning broadly or introduce a new zoning by-law or will several new zoning by-laws need to be made that consider very specific areas in the city(TO Planner #1; TO Planner #2). These answers to these questions rely heavily on the provincial regulations that are being evaluated. The rationale for implementing



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inclusionary zoning will become very important because of its potential to impact the social and economic characteristic of an urban area (TO Planner #1; Williams *et al* 2016). It is felt by a Toronto policy planners that various market areas of the city should be independently considered for the policy framework. Looking at the City as just a whole can be a mis-step given the diversity between neighborhoods. The feeling is that the policy must be able to adequately assess and articulate the “need” for inclusionary developments at a neighborhood level as to avoid generalization. This can be achieved by looking at the housing data “ward-by-ward” and finding the areas where housing prices are varying by a significant degree from the market average (TO Planner #1). Being able to analyze and articulate the need for inclusionary development at this level will ensure that will have the desired socio-economic impacts. This will help the City to achieve its housing goals more efficiently by making sure that the right neighborhoods are targeted for this type of development.

### **7.3 – What Characteristics will Properly Define a Sustainable Inclusionary Housing Policy for Toronto?**

From a city-level planning perspective, the components of an effective and sustainable housing strategy should be clearly identified so that the policy supports the objectives of Toronto's Official Plan. The planners and affordable housing experts of the City affirm that a viable regulatory policy for inclusionary zoning should have the following characteristics (TO Planner #1):

- Be absolutely mandatory
- Be effective in helping the city meet its affordable housing goals
- Provide long term affordability for future residents
- Clear and predictable to *all* stakeholders
- Avoid unnecessary complication to the development sector
- Have regulations that still allow it to be effective in supporting growth
- Have minimal impact on the market itself

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These elements support the requests by the City to the province that were submitted in the last few months of 2016 as the legislation was being passed. Currently, regulations are still being evaluated by the province through stakeholder consultation (City of Toronto 2016; ON Ministry Team Lead). Policy makers at the City are hopeful that it will be able to help the city actualize some achievements in the coming future. An important consideration by city staff will be to evaluate how this will impact planning overall in the City.

With the population growing considerably in the City more and more individuals will be in need of the affordable housing because of its unique social profile. Policy placing mandatory inclusionary requirements on development will help ensure that the city can provide the right type of housing and affordability to all its residents. An inclusionary zoning policy designed with the right components, which is well regulated, and continues support a strong development sector will serve as an important planning tool going forward. This type of policy will support effective planning in Toronto by enabling the City with a more comprehensive strategy to provide for the needs of the low-to-moderate income earners.

The potential for the city to use inclusionary zoning to meet its targets will ultimately be determined and limited by regulations that will be released by the province in the coming months. There is a positive outlook overall in regards to this forthcoming policy in the city however, as all city departments are on board and will back a long-term inclusionary housing policy for the city (City of Toronto, 2016). It is now up to City Council to decide how to effectively leverage this opportunity once the regulations are released. One example provided from a planner at the city was to include the Financing Department as a stakeholder in the process and look for ways to make inclusionary developments more attractive by waiving development charges and other "taxations" (TO Planner #1). A Toronto developer feels that this would benefit them as a stakeholder in the city's housing market since it would relieve some of their financial obligations. Timing is another important consideration that must be addressed as it takes on average 18 months for the approval phase of a new development in the city (TO developer). An inclusionary policy should not aggravate this timing process as it

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will impact the developer's revenues; in fact if an inclusionary policy could mitigate some of the time constraints required by development approvals in the city then it could possess a strong positive potential for developers in the City (TO developer).

From an overall planning perspective in the City of Toronto a mandatory inclusionary policy is highly regarded to make a difference for the Cities affordable housing issues. Whether or not it presents itself as a primary solution or a secondary tool that it can to support the developments the City remains to be tested. The important consideration by all planners is that the regulations and the eventual city policy must consider principles of good planning to be able to support sustainable growth and development in Toronto and its region.

### **8.0 – Does Inclusionary Zoning Support Quality of Life?**

The city of Toronto Official Plan states that: “the City's quality of life, economic competitiveness, social cohesion, as well as its balance and diversity” (City of Toronto Official Plan, section 3.2.1) depend on adequate and affordable housing. Inclusionary zoning can have a huge impact on Toronto achieving its vision and building communities that work. The importance of inclusionary zoning in the planning process is supported by Davidoff's (1985) argument that: “It is only when we begin to act inclusionarily that our cities will have a chance to grow decently and equitably” (Merriam et al 1985, p.4). Supporting inclusion through the planning process has huge consequences on an urban area such as Toronto being able to be a sustainable, livable and economic hub of the country and continent.

Sound planning principals will help Toronto meet its goals of attracting working class people and a vibrant array of businesses. Inclusionary zoning has huge consequences for the social sustainability of the City. By allowing low-to-moderate income earners the ability to buy and rent housing in city-wide market-rate developments will increase opportunities for the entire population. This makes a lot of sense in a democratic society as opportunities should be available to every citizen regardless of income. It also supports a better and more productive economy by allowing the working class to live close to work and access the benefits of the City. This

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type of housing strategy, if executed correctly, can attract the right mix of people and ultimately make Toronto as strong and livable city that can be competitive on the global scale.

The Ministry of Municipal Affairs and Housing is very concerned with their inclusionary zoning regulations being supportive of good planning principles. This is indicated by their support of the city and region needing to house people of all income levels. This is important for planning in the region because it will help planners be able to provide the services determined by the official plans. By using a powerful inclusionary zoning mandate planners can help increase employment opportunities that will be available to a range of demographics. Being able to provide these opportunities there can be significant impact on urban sprawl in the region decreasing the need for people to live elsewhere. A Ministry of Urban Affairs and Housing employee claims that inclusionary zoning supports sound planning principles such as increasing density. The hope is that increasing density can decrease the stress on the transit infrastructure in the region. The hope is that this will ultimately benefit quality of life in Ontario through environmental impacts such as decreasing pollution output (ON Ministry Team Lead).

Mah (2009) presents a good argument for planners to be involved in the inclusionary zoning debates in Toronto citing Joh Forester (1987), the claim here is that planners are able to act as a mediator for community interests. In Ontario's market-based economy, developers can often times have the upper hand in terms of development approvals. The Ontario Municipal Board has often times been accused of siding with developers for approving development outside of the interests of the local community (TO Consultant). There is a strong interest for economic development especially for municipalities that are part of the provincial *Growth Plan* (2006); however, community interests must be maintained since a primary goal is to make the region a livable one (Ontario, 2006). In a region where incomes have not kept pace with real estate prices and development land values continue to increase there is a convergence of forces that make it unaffordable to individuals with moderate incomes (ON Ministry Team Lead). The province maintains a strong stance at present stating that inclusionary zoning can benefit development in the region by enabling it to provide

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opportunities for all income levels. Giving legislative strength to inclusionary zoning will assist the planner's ability to enforce an official city plan because the developer will no longer be able to appeal developments that propose an affordable unit percentage. Therefore, having a strong inclusionary policy in place will help set development in the region on better path that supports important planning goals of social inclusion and sustainability.

### **9.0 – Conclusions**

This overall motivation for this paper is to advocate for inclusionary planning by emphasizing the benefits that inclusionary practices bring to the urban environment. For the Canadian story in particular, it is important that social inclusion is a major component of the planning paradigm if the country's cities and regions are to support sustainability. This planning ideology is critically important, and the Canadian urban setting represents a strong case for the importance of inclusion in planning practice. It is important that many of Canada's urban centers continue to grow in order for the country to remain economically viable. Therefore, promoting sustainable development through inclusionary planning practices becomes a crucial consideration if this is to occur. The economic growth of Canada's urban centers and regions will be greatly subject to the ability by which the planning process is able to integrate mixed incomes and social diversity. I strongly believe that based on recent trends it will be important especially for Canada's cities, such as Toronto, to utilize inclusionary planning strategies effectively in order to create a sustainable affordable housing inventory. This will ensure that these cities can develop economically while supporting social sustainability.

My position is that inclusionary planning be a concept that is at the forefront of planning practice, in particular for cities and regions that are continuing to develop and grow. This planning approach is important to foster urban sustainability because it advocates for the social sustainability in a developing urban environment. Inclusionary zoning is a beneficial component of this planning practice for large urban centers that are experiencing a significant degree of immigration and population growth. The reason being is because this strategy supports social integration by providing affordable housing. I support that Toronto is one such urban center that can benefit from this

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planning practice. The City can benefit from inclusionary zoning because it is currently facing an affordable housing crisis. The motivation to bring inclusionary zoning to municipalities in Ontario is perpetuated by a mutually perceived need to provide affordable housing to integrate the working class population in high growth regions. The housing market in Ontario is becoming more and more out of reach to this low-to-moderate income class. This is a complex problem to address since Toronto is a central city that exists in one of the provinces most rapidly growing regions. Therefore, I maintain that Toronto city planning should continue to move towards inclusionary planning practices that utilize inclusionary zoning because it will advocate for people in the planning process. It is critical to consider the “users” in development decisions because it supports a more socially sustainable urban environment. My research has identified that one of the principal goals for municipalities in this urban area is to grow the economy and increase land market value through effective land-use policies. In order to support a robust economy however, the working class must not be excluded from being able to obtain affordable housing. The reason being is that they are an essential component of this economic growth process. Businesses who wish to invest in the vibrant Toronto-centered region will need to utilize a diverse collective of human resources which *includes* the low-to-moderate income class.

The ability to provide affordable housing to the working class population is more often than not a municipal issue but its consequences can be viewed from an international perspective. Although this paper made some general comparisons to the United States, many other regions of the world are faced with similar problems. Income disparity and rising real estate prices are an ongoing concern for many developed countries as the population continues to move to towards a more urban-based one. Many urban regions of the world need to continue to change and evolve to support this change and influx of people. It is beyond the scope of this paper to investigate every country's housing problems and solutions; however, inclusionary zoning has a strong presence in many global cities. This international perspective has strong implications for the Canadian context of inclusionary housing policy. Inclusion is one central ideology of Canada being a country that is a representative democracy. Democratic values and pluralist principles can be supported through inclusionary

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zoning. Therefore, it is important that Canada use inclusionary zoning to allow its rapidly growing urban areas to support a diverse population and encourage immigration.

By adopting and refining inclusionary zoning to be effective in Canada, the potential for the strategy to contribute to a much needed affordable housing stock is apparent. Having somewhat less experience and results in inclusionary housing with respect to other developed nations presents Canada a huge opportunity to shape and apply inclusionary zoning to cities and urban regions such as the Greater Golden Horseshoe. This can prove to be extremely valuable to both research and urban planning itself since opportunity also exists to define inclusion from the unique perspectives of provinces and their local governments. Ontario promoting the promise of being “a place to grow” can benefit greatly from the past learnings of inclusionary development as it continues to promote urban growth. The value of these experiences in regard to urban development must not be under-rated as Ontario builds its inclusionary zoning regulations and policy.

With respect to building a substantial policy the Ontario government is currently developing the regulations that will contextualize inclusionary zoning in the province. Therefore, there is limited knowledge currently on the exact characteristics inclusionary zoning will have or its potential impacts. One of the primary objectives of the Updated *Long Term Affordable Housing Strategy* (2016) is to create a sustainable supply of affordable housing. My research has shown that in order to do so the province will need to research heavily into the stakeholder consultation process. This is a process that is currently underway and should continue to be encouraged since it strengthens the communicative approach of inclusionary planning. Investment from the major stakeholders in the province is essential in order to support urban sustainability. The province will need buy in from municipalities, developers and other advocate groups in order to support the benefits that inclusionary zoning can bring to its socio-economic viability. In fact, inclusionary zoning's implementation in Toronto has been heavily disputed by stakeholders for many years now and it only until very recently have we seen the multi levels of government align on the issue. The present time is critical to bring other stakeholders into the process as the housing problem is not going to fix itself

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anytime soon. So often does it take a crisis in order to get different levels of governments and the free market to agree on a given issue. Therefore, timing is critical.

If Toronto is to create a successful inclusionary zoning strategy, I would recommend first and foremost that it continue to challenge the senior levels of government for funding and legislative support. This will be crucial since municipal powers are limited by the province. The City will also need to develop a policy that will support continued negotiations with the developers. This will allow the private market to have a stake in future developments in the City, so as not to be excessively imposed upon. Another important consideration for a forthcoming policy is that it be able to work in conjunction with existing affordable housing strategies that are already in place, such as the Open Doors Policy. This will allow the City to extend and strengthen the impact of its efforts on programs and developments that are already underway. Toronto City Council should also consider strongly the advice and positions of its departments that hold stake in the inclusionary development process such as the Planning and Affordable Housing departments. This will make sure that a future inclusionary policy is well informed and sustainable while at the same time working to meet the needs of a mixed income social profile. I would expect any future policy to include well developed criteria for whom inclusionary housing will benefit. This is because a mixed income profile is desirable for Toronto; therefore, social inclusion must be a central objective. This means that the user must take precedent when the City is considering future development proposals and I would expect that this would comprise a very instrumental part of a future policy. This will make sure that the City housing priorities are meeting the needs of the working class which comprise the low-to-moderate income bracket. My belief is that future inclusionary developments governed by an effectively constructed policy will support the goals of Toronto's Official Plan and will foster the economic growth of the City of Toronto and its region.

Additional recommendations would be for Toronto to evaluate the shortcomings that it has experienced with inclusionary development in the past. These being policies that use Section 37 to exact affordable housing as a community benefit. It is important that the city redefine affordable housing properly if it is to address its current crisis.



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Affordable housing must take precedence in new policy and be considered an essential component to the sustainable development of the City. Toronto's economy cannot grow or be effective if the City is unable to house a diverse working class. Mandatory inclusionary regulations will help the City be able to move forward on meeting its affordable housing targets. No longer should shortfalls in meeting targets be considered a norm. City councilors need to work more effectively with the development sector to have them help contribute to Toronto's affordable housing needs. It is also important that they maintain the goals of City Planning too and hold a future inclusionary zoning policy in high regard. Going forward affordable housing should not be an item on the table for negotiation; councilors must utilize the powers of inclusionary zoning and support policy planner's directives to express the City's needs to the development sector. Affordable housing is important and it should be recognized as a cost of doing business with the developers. The City needs to demand more from the private sector and elected officials to help create and implement a consistent vision for inclusionary policies and affordable housing creation. This will become crucial in determining a sustainable solution to the housing crisis.

The current political debates place affordable housing as one the more important and noteworthy issues impacting the sustainability of Canadian urban areas. Based on the findings of my research on Canadian cities, I argue that inclusionary developments support social sustainability. Being a key component of sustainable development, social sustainability has some strong implications for the growth of Canadian urban centers and regions. Recognizing the importance of population growth as a component of a greater economic development plan, planning for inclusion emerges as a central theme for supporting this social sustainability in practice. More affordable housing must become available in major urban centers such as Toronto and Vancouver in order for these cities to develop as inclusive cities. This is because they are growing at a sustained rate and therefore, the political and planning arenas must address the needs of all citizens. Affordable housing brings the needs of specific individuals into the planning process and it can no longer address simply urban use. Now more than ever the needs of specific users are becoming consequential to the urban development process. I support that this has strong implications for

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supporting inclusion in planning practice and that a move to a more communicative planning method is necessary. This strong need for social inclusion in a place like Toronto advocates for the continued adoption of inclusionary planning strategies such as inclusionary zoning.

The sustainability of a growing city region becomes increasingly significant because in order to support an influx of population and future generations, cities like Toronto must grow in such a way that acknowledges sustainable principles. Therefore, in order to support a vibrant future economy the social viability must be regarded as an important facet to the City's economic development. The ability for Toronto to provide an environment that is conducive to the cohabitation of diverse groups of people and to encourage social integration is paramount. Contemporary revelations in urban planning have helped to understand the social impact that zoning has. Inclusionary zoning is a land-use mechanism that can support the sustainable growth of a city because it can ensure that the capitalist influence will not exclude the lower income population. Toronto's Official Plan requires that City have an inclusive and livable core and be able to support the needs of the suburban region. Planners can use inclusionary zoning to help support these objectives as the City continues to gentrify both its downtown core along with other development areas. Having ability to require developers to contribute to the affordable housing stock in the city will help alleviate some of the stresses that an affordable housing crisis has on the City. An effective inclusionary housing policy will enable city planning in Toronto to build upon its social sustainability initiatives as it continues to grow. The importance of inclusionary zoning in this planning and development process is supported by Davidoff's (1985) arguments that cities need to grow decently and equitably through social inclusion. Being part of a democracy, the ability for cities in Canada to be inclusive also has critical implications for a country that wishes to promote urban growth through immigration.

The question whether inclusionary zoning can represent a definitive solution to a city housing problem still remains under heavy debate. A city such as Toronto has supported inclusionary developments in the past and contains mandates for inclusion in its Official Plan; however, it should be questioned whether more mandatory and stricter

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requirements will represent a difference. With the City's population growing, the future successes will be evaluated on the amount of affordable housing it is able to create under an inclusionary zoning regulatory framework. It will take time to properly conceive whether inclusionary zoning powers truly represent a significant influence over the creation of affordable housing. First and foremost development must continue in order for any benefits to be seen. It is my belief that moving forward the inclusionary zoning legislation represents a significant stride forward in the ability for the City to address housing affordability, but it should not be the primary mechanism. Inclusionary zoning serving as an integral component of a diversified strategy to produce affordable housing will be most effective. Inclusionary development can address many of the City's central needs such as planning for social inclusion; however, because of its more strict implications on the development sector it is a planning strategy that must be used sensibly and under the guidance of regulation.

The opportunity for land use planning in Ontario to be able to enforce inclusionary zoning is coming at an important time. It is the right time to introduce it because the potential to function as an important component of an overarching strategy to build a sustainable housing supply for the province. The Greater Golden Horseshoe and its component municipalities comprise one of North America's fastest growing urban regions. Therefore, the ability to enact inclusionary development strategies will allow them to support a diverse population. Even in the face of potential economic trade-offs and many skeptics, inclusionary zoning continues to regard the importance of social sustainability in the urban environment. It is interesting to note that the recent inclusionary zoning interest in Canada has not come from one source, but instead is regarded by both top-down and bottom up planning strategies, especially in Ontario. This is most notably because democratic values are well represented by this planning method. Ideologically, senior-level provincial planning and the municipal planning departments have agreed that it is important to support diversity in the urban form. However, they have not always agreed on the practice of how to work to achieve it until now. Inclusionary zoning is grounded by a strong historical and international context, affirming that social inclusion is a cornerstone to a sustainable urban environment. Therefore, for Canada's urban environments to uphold the

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principals of sustainability and good planning, building a sustainable affordable housing supply through inclusionary development is of paramount importance.

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